

NFL RESULTS
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U.S. 32,841 19/88

PARIS, MONDAY, SEPTEMBER 26, 1988

OLYMPIC PODIUM

A King Dethroned, a Queen Crowned

Andre Phillips set an Olympic record Sunday to dethrone U.S. teammate Edwin Moses, the king of 400-meter hurdlers for the last 12 years, but sprint queen Florence Griffith-Joyner, right, was finally crowned in Olympic gold. And hard-luck middle-distance runner Mary Decker Slaney stumbled yet again, finishing 10th in a 3,000-meter final won in Olympic-record time by Tatjana Samolonenko of the Soviet Union.

After a day in which the long-awaited 100-meter duel between Ben Johnson of Canada and Carl Lewis of the United States saw Johnson coast to the finish line with a world record, before Jackie Joyner Kersee broke another world mark in the final event of the women's heptathlon.

Otto and Biondi Churn Ever Onward

Kristin Otto of East Germany swam to her sixth gold medal Sunday, in six races (the most any female swimmer had won in a previous Olympics) the four by Kornelia Ender of East Germany in 1976, and Matt Biondi of the United States won his fifth gold to go along with one silver and one bronze.

Silvas Gets Her Revenge in the Gym

Daniela Silvas of Romania, disappointed as the all-around silver medalist, won three of the four golds in the gymnastics apparatus finals, taking a lot of the luster off Elena Shoushounova of the Soviet Union.

It Surely Wasn't All Fun and Games

The Bulgarian weight lifting team, having lost a second gold medal on a drug violation, withdrew from competition; the president of the South Korean National Olympic Committee resigned in the wake of the Great Boxing Incident; and two gold medal winning swimmers were dismissed from the U.S. team and ordered to return home after stealing a statue from a hotel bar.

Who Says Nice Guys Always Finish Last?

Lawrence Lemieux of Canada had to choose between continuing his Finn-class race or rescuing a fellow sailor. He chose the latter, and for his gallantry the race jury awarded him second-place points, the position he had been in when he spotted the exhausted Joseph Chan of Singapore, who had fallen off his boat.

Now the Losers Can Pan for Gold

Davide Tizzano won a gold medal Sunday as an oarsman in Italy's quadruple sculls boat. Then, celebrating with teammates, he was tossed into the water and the medal flew loose. Everyone dived in search. But the medal had disappeared into the mud of the new Han River Regatta Course.

Olympic report, Pages 19, 20 and 21.



G-7 Blesses Stable Dollar Rate

U.S. Election Concern Is Apparent, but Doubts Persist

By Reginald Dale and Carl Gewirtz
International Herald Tribune

BERLIN — A renewed agreement to stabilize exchange rates reached by the seven major industrialized countries on the weekend is clearly intended to do as little as possible to disrupt financial markets in the six weeks remaining before the U.S. election.

But doubts remain whether the U.S. currency's recent strength can be maintained over the longer run. Under the agreement, worked out by finance ministers and central bankers of the Group of Seven meeting here, governments will try to hold the dollar at its current level.

Private bankers in Berlin for the joint annual meeting of the International Monetary Fund and the World Bank, which formally opens Tuesday, said the United States and its Group of Seven partners were clearly hoping to keep markets calm at least through the U.S. elections on Nov. 8.

"But if the markets think it's all going to come unstuck after the election," one bank economist said, "they are not going to wait until Nov. 9 to sell dollars."

A number of private economists have also begun to worry that the dollar's recent strength will delay the reduction of the U.S. trade deficit, storing up potential further trouble on the currency markets next year. Many analysts believe that the dollar's longer-term trend is more likely to be downward than upward.

And Giuliano Amato, the Italian Treasury minister, warned that "the recent dollar appreciation might itself be a source of market instability to the extent that it delays the long-awaited absorption of the U.S. external deficit."

Departing from their recent practice, the seven countries — the United States, Japan, West Germany, France, Britain, Italy and Canada — made no specific reference

to the dollar in a bland statement issued Saturday night.

The agreement, however, would appear to put support levels for the dollar back to roughly where they were in February 1987, when the seven first tried to stabilize the dollar under the Louvre Accord.

Both Nigel Lawson, Britain's chancellor of the Exchequer, and Pierre Bérégovoy, the French finance minister, said the statement

meant that all seven countries were happy with the current level of the dollar and other major currencies.

"I can live with it at the current level," said Gerhard Stoltenberg, the West German finance minister, of the dollar.

A senior U.S. Treasury official said that the vaguely worded communiqué "is confirmation of the desirability of the status quo."

Mr. Bérégovoy, however, added that while current rates were "satisfactory," the monetary situation might have to be reviewed next spring after more was known about the new U.S. administration's approach to cutting the U.S. budget deficit.

Mr. Lawson said a more specific reference to the dollar would have been "unrealistic to imagine at this particular stage in the electoral cycle" in the United States.

Security was especially tight for the meetings. An estimated 30,000 people turned out Sunday for a demonstration, which was peaceful, to protest fund and bank policies. But the fear of violence had been accentuated by last Tuesday's attempted assassination of a senior West German Finance Ministry official.

Officials, including the managing director of the International Monetary Fund, Michel Camdessus, in afternoon talks, spent Saturday cloistered behind 10-foot walls in Villa Borsig, 15 kilometers (10

Gorbachev Concedes Setbacks

'We Are Losing' On Perestroika, He Tells Editors

By Philip Taubman
New York Times Service

MOSCOW — Mikhail S. Gorbachev has told Soviet editors that his campaign to reshape the Soviet Union is faltering, undermined by a gap between plans and deeds.

In a blunt acknowledgment of his three and a half years as Soviet leader has produced few tangible changes, particularly in the economy, Mr. Gorbachev said Friday that "we are going slowly, we are losing time and this means we are losing the game."

"In a word, it turns out there is a gap between our goals and the work."

His remarks were published by the government newspaper Pravda on Sunday.

Although Mr. Gorbachev said that he remained optimistic that changes would eventually take hold and that living conditions for the Soviet people would improve, his address was a somber, often defensive confirmation that his drive to revitalize the country was stalling with problems.

He said the effort "faces many difficulties: a complex mosaic of moods, confusion in the people's minds, illusions, impatience and irritation."

Sounding at times like one of the more conservative members of the party leadership, Mr. Gorbachev chastised the editors for having failed to use their publications to support his policies, and he said that political polarization within the press was diverting attention from key issues.

He warned that opponents from the left and right were working together to "introduce confusion into society."

Since returning from summer vacation three weeks ago, Mr. Gorbachev has faced renewed nationalist unrest in the southern republics of Armenia and Azerbaijan, reports of a disappointing grain harvest, and mounting impatience about food shortages and other problems associated with a stagnant economy.

A Soviet official said last week that preliminary figures for this year's grain harvest showed production of around 200 million metric tons, 5 percent to 10 percent less than the government had hoped. He said the total could rise somewhat when final figures become available.

The summer provided little respite from other discouraging trends, including the failure of new economic policies to rejuvenate the economy, persistent resistance to Mr. Gorbachev's initiatives in the government and Communist Party bureaucracies, and intense public resentment over the government's anti-drinking campaign.

One hopeful sign of recent days has been a higher-than-expected turnover among local party leaders in the initial phase of nationwide elections that Mr. Gorbachev hopes will give the party infusion of fresh blood this fall.

See SOVIET, Page 6



Governor Michael S. Dukakis of Massachusetts holding up a pair of boxing gloves upon arriving Sunday for his debate, the first of the U.S. presidential campaign, with Vice President George Bush.

Kiosk

Ozal Message

Losing in Vote

ANKARA (AP) — A constitutional amendment to move up the date of local elections was headed for defeat Sunday in a national referendum. Prime Minister Turgut Ozal had said he would resign if the measure were overwhelmingly defeated.

The semi-official Anatolia News Agency reported that with 64.4 percent of the ballots counted, the vote was 64.4 percent against the proposal and 35.6 percent in favor. Mr. Ozal said last week that for a mandate he needed to get more than the 36 percent share of the popular vote that his ruling party captured in national legislative elections last year.

General News

Billy Carter, 51, whose maverick ways sometimes embarrassed the Carter administration, is dead.

Shimon Peres of Israel was conciliatory on talks with the Palestinians.

MONDAY Q&A: Raul Manglapus, foreign secretary of the Philippines, is optimistic on the U.S. bases talks.

Business/Finance

Continental has been awarded the lucrative air route between Seattle and Tokyo.

Key OPEC ministers assembled in Madrid for new talks on oil output.

Special Report

Prospects for world economic growth have brightened and some analysts predict a new "golden age."

Truth Suffering in U.S. Race

By Bill Peterson
Washington Post Service

WASHINGTON — American voters trying to make up their minds between Vice President George Bush and Governor Michael S. Dukakis of Massachusetts have faced several weeks of sharply negative campaigning, much of it based on allegations that are misleading or simply untrue.

The candidates met Sunday night in the first debate of the campaign. They will debate again in about two weeks.

The campaign has been dominated by sweeping accusations. For example, Mr. Bush has declared in recent campaign speeches that Massachusetts had a \$7.4 billion debt, a "dangerously underfunded" state pension system, the "dirtiest harbor in America" and an economy so tattered that businesses were failing right and left.

According to Mr. Bush, the state lost 36,000 manufacturing jobs during the last six years; allowed a convicted murderer named Willie Horton out on a furlough during which he "raped and murdered again," and is governed by a man who "opposed every new weapons system since the slingshot."

These assertions, all damaging to Mr. Dukakis, are all misleading or arguably untrue.

According to Mr. Dukakis's campaign speeches, Mr. Bush "has no plan for facing up to the trillion-dollar debts his administration has run up," opposed "every single effort aimed at Pentagon reform," committed "assault and battery on the truth," and disagreed with President Ronald Reagan and with Mr. Dukakis on how to deal with the Soviet Union.

These charges, too, are exaggerations or are untrue.

"I see exaggeration on both sides," said Marvin Kosters, director of economic policy studies at the American Enterprise Institute, a conservative think tank "It's

really appalling. Sometimes I think they both deserve one another."

Mr. Dukakis has not opposed every new weapon system since the slingshot. He supports, among others, the Stealth bomber, the D-5 sea-launched ballistic missile, the

Trident-2 submarine, the M-1 tank, and the F-15 and F-16 jet fighters.

For his part, Mr. Bush has offered a plan, called the "flexible freeze," to deal with the deficit. Mr. Dukakis and others may consider it inadequate, but it is a plan.

Mr. Dukakis and Mr. Bush, however, do agree on one thing: Joe

Friday, the tough-talking detective from the "Dragnet" television series. Last week, the Democratic nominee said he, like Friday, wants to deal with "the facts, ma'am, just the facts." Mr. Bush has been quoting the line for weeks.

But "the facts" are among the slipperiest commodities in American politics. With computerized retrieval systems and huge research staffs, candidates seem able to find a "fact" that fits every charge.

The past week provided a good case in point. On Wednesday, a five-page document titled "George Bush Distorts Mike Dukakis' Re-

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NASA Hopes Discovery Will Revive Program

By John Noble Wilford
New York Times Service

CAPE CANAVERAL, Florida — U.S. astronauts are at last ready to return to orbit on the shuttle Discovery seeking to revive the flagging civilian space program and to end the long struggle with self-doubt and paralysis that followed the worst disaster in space flight history, 32 months ago.

With the approach of the launching, scheduled Thursday, space agency officials, the astronauts, scientists, policy experts and aerospace executives agree that the stakes could not be higher. They see the launching and the planned four-day mission as a crucial turning point in the space program.

"A success is absolutely essential," said Noel Hinners, associate deputy administrator of the National Aeronautics and Space Administration. But he and many others, looking beyond, emphasized that the Discovery flight would be only a first step in rebuilding a

more robust program. Even with a successful flight, the nation must still define its overall goals and the shuttle's place in achieving them.

Another catastrophic failure would almost certainly plunge the program and the nation into a deep crisis of confidence.

All manned flight might be severely curtailed, and NASA, which once had nearly total control of space activities and was renowned for its technological excellence, might well be diminished beyond recognition.

Confidence in American leadership in space, as a source of economic and political power and international prestige, had been built on the Apollo triumphs on the moon and bolstered by the breathtaking robotic voyages to the outer planets.

It was shattered in one appalling instant by the explosion of the Challenger in January, 1986, when

See SHUTTLE, Page 6

On West Bank, Israel's Commander Learns to Live With His Qualms

By Glenn Frankel
Washington Post Service

EIN ARIK, Israeli-occupied West Bank — The stones hit the roof of the four-wheel-drive vehicle like sharp cracks of thunder. Out from the front passenger seat jumped Major General Amram Mitzna, the wiry, bearded officer who commands Israel's forces in the occupied West Bank.

"As more stones fell around his uncovered head, he scanned the surrounding buildings while two of his soldiers checked magazines into their automatic rifles and sprinted up the hill. Ten minutes later, with darkness drawing a curtain over the road, the soldiers returned empty-handed.

"In the beginning they were brave enough to stand and yell and fight with us," said General Mitzna of the young Palestinian stone throwers. "Now they're gone with the wind."

Indeed, a lot of things have changed for General Mitzna and his men since the Palestinian

uprising began here and in the occupied Gaza Strip in December.

Tactics are different on both sides. The mass demonstrations and human waves of Arab rioters of December and January have been replaced by small roving bands who throw rocks or gasoline bombs and then try to melt away.

Similarly, the uncertain, sometimes confused response of the army has given way to tougher and more aggressive use of tanks, machine bullets and other weapons.

But some of the biggest changes have taken place inside the soldiers themselves and in their self-spoken commander. Eight months ago, General Mitzna started reporters at a news conference by confessing, "I don't feel so well when I wake up in the morning." He was referring to the unease he and his men felt when performing not duty against Palestinian civilians.

These days the general says he has the same nagging feelings but has learned to control them. Like the men he commands, General Mitzna,

who is one of Israel's most decorated soldiers, has stopped wishing he were somewhere else and has buckled down to a mission that he still clearly finds distasteful but also unavoidable: smothering the nine-month-old uprising.

"I think that today we are less naive, less hysterical," Major General Amram Mitzna

hysterical in the face of a particular problem, and we can see better the total picture," he said in an interview last week. "It takes time to realize this is not a local thing or a one-day thing, but something you have to live with every day, not only physically but mentally. Our understanding now, from generals down to privates, is much better."

For several weeks now, the Israeli Defense

Force has been on the offensive in the West Bank, adopting more aggressive tactics against street demonstrators, staging large-scale roundups in alleged trouble spots, cracking down with economic sanctions against recalcitrant villages and freely using new, usually nonlethal, plastic bullets.

About 18,000 Palestinians have been arrested since the uprising began, and more than 5,000 remain imprisoned. More than 30 houses of residents accused of throwing gasoline bombs and stones have been demolished, and 60 people have been designated for expulsion, all under emergency military regulations stipulating that these measures can be taken without the subject having first been charged or convicted in court.

About 250 Palestinians have been killed, most of them shot by soldiers, and five Israelis have also died.

General Mitzna, 43, who has a computer print-out of such statistics on his desk by 6 each morning, says the number of violent incidents,

these days is only about half what it was during the height of the unrest in January and February. But the number of soldiers stationed in the West Bank, although down by from 25 percent to 33 percent since June, is still more than double what it was last year.

"The mission is not to solve the problem in the West Bank," he said. "The mission is to lower the level of violence. The problem is still there, but I think we have succeeded in controlling it. In such a situation, a declining trend in violence is some kind of success."

Along the way, General Mitzna has shed a few illusions. Whereas he once spoke about hoping to return the situation in the West Bank to the relative tranquility of last year, he now says the goals are to keep violence down and keep the main West Bank roads open.

While he once argued that most Palestinians desired such tranquility and were opposed to the violence, he now concedes that many, if not

Sheikh Jabbar has met with a U.S. president since coming to power in 1976.

Mr. Reagan is expected to thank the Kuwaiti leader for Kuwait's contribution to the 14-month voyage program that began when Kuwait — seeking protection from Iranian attacks — re-registered half of its tanker fleet under the U.S. flag.

As part of the reflagging program, Kuwait provides free fuel to U.S. warships and pays the \$5 million annual charter fee to the U.S. construction giant, Brown & Root, for the two oceangoing barges converted into floating American bases.

Named Hercules and Win-Brown 7, these surveillance and patrol platforms allowed U.S. forces to virtually shut down Iranian speedboat attacks and mine-laying operations in the northern Gulf.

U.S. officials said the barges "bases remained on duty but that the United States was reviewing whether they were still needed."

The president was also expected to restate to Sheikh Jabbar a continuing U.S. commitment to maintain a "vigil over the freedom and independence of Kuwait," as a U.S. official put it.

To that end, U.S. officials said Mr. Reagan would tell the Emir that the U.S. Navy would keep six or seven warships in the Gulf at all times, while the U.S. Navy's Indian Ocean battle group would remain deployed in the Arabian Sea for the foreseeable future.

These commitments were said by

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Modest Progress Is Reported In Shultz-Shevardnadze Talks

By Don Oberdorfer and R. Jeffrey Smith
Washington Post Service

WASHINGTON — Modest progress but no breakthrough on major issues was reported as the United States and the Soviet Union ended two days of negotiations, chiefly on arms control and human rights. They were expected to be the last such intensive high-level discussions in the Reagan presidency.

Secretary of State George P. Shultz, summing up the meetings Friday, said Washington did not accept the Soviet plan of an immediate accord freezing the number of nuclear warheads on ballistic missiles. Mr. Shultz called it "an immense undertaking" and suggested it was too complex for an early accord.

point of contention between the two nations — if the United States will agree to ban the encoding of cruise missile testing data. Washington did not immediately agree, the officials said, but an accord accepting this trade-off was under active consideration.

The Soviet foreign minister, Eduard A. Shevardnadze, in a separate news conference, said the two sides had substantially narrowed their differences on a mandate for beginning new East-West negotiations to reduce land armies in Europe, though both sides said more work remained to be done.

Mr. Shevardnadze also said the Soviet Union was willing to disclose for the first time the locations of its former chemical weapons production plants if the U.S. was prepared to reveal the size of its chemical weapons arsenal.

These were among the developments reported at the end of the talks.

- The Soviets have agreed to accept a delegation of U.S. psychiatric experts to examine Soviet mental health practices, probably in November. The Soviets also disclosed that laws and regulations dealing with religious freedoms, judicial procedures and elections to the Supreme Soviet, the Soviet parliament, would be promulgated before the end of the year.

- A joint statement of both sides "expressed deep concern about the recurrent use of chemical weapons, in particular against civilian populations."

- No agreement was in sight on the Soviet radar facility at Krasnoyarsk in Siberia, which the United States describes as a violation of the Anti-Ballistic Missile Treaty of 1972.

Both sides expressed disappointment that it proved impossible to complete a landmark treaty reducing the strategic nuclear arsenals of the two nations by up to 50 percent.

Manglapus 'More Optimistic' About Base Talks

Negotiations on U.S. bases in the Philippines have been deadlocked for several months. Raul Manglapus, the Philippine foreign secretary, has been in Washington for talks. Michael Richardson, of the International Herald Tribune, telephoned from Singapore to discuss prospects.

MONDAY Q&A



Raul Manglapus

Q. After meeting George P. Shultz, the secretary of state, and other U.S. officials in the past week, are you any closer to an agreement?

A. My talks have been fruitful and certain proposals have been received by the U.S. side with an open mind. I'm now somewhat more optimistic than I was when I left Manila.

Q. Congressional sources have been saying that the Philippines wants \$1.2 billion annually, while Washington is prepared to offer a maximum of only \$560 million. How far apart are you on the amount of economic and military aid, and other elements in the compensation package?

A. When Secretary Shultz came to Manila in June, both sides agreed that the so-called hard components of the proposals on each side were not far apart. I am not at

liberty to be specific. All I can say is that the hard component proposed by the U.S. is not too far from the hard component proposed by the Philippines.

We also agreed in June that we would be looking for creative ways of raising the level of compensation in other areas to the point where the Philippine government would find it acceptable. That is the process that is now going on. At the moment we are considering certain proposals, including one

which would involve a reduction of the \$2.6 billion external debt of the Philippines.

Q. How would that proposal work?

A. It would involve the use of U.S. government bonds.

Q. Does that mean the Philippines would be provided with a certain amount of money in the compensation package so that it could purchase those bonds and then use them to buy back some of the national debt at a discount?

A. That is one possibility, although it is not the only possible formula.

Q. Do the proposals covering the soft component now look distinctly more promising than a week or two ago?

A. Yes, I think I can say as much. I will be meeting Mr. Shultz in New York for further discussions at the end of the month. The formal negotiations between the two panels will resume in the Philippines in October.

Q. Under the current bases agreement, the U.S. administration undertook to make its best effort to pay the Philippines \$180 million a year in aid. Since Corason C. Aquino replaced Ferdinand E. Marcos as president in 1986,

total aid approved by Congress has averaged \$440 million annually. Isn't that a major contribution?

A. The U.S. assistance that accompanies the bases is important. It is extremely useful and perhaps indispensable to the armed forces of the Philippines in the acquisition of logistics, equipment and weaponry to fight Communist subversion. However, it has to be noted that other countries that do not host U.S. bases get even more of that kind of assistance.

Q. If you can reach a mutually satisfactory agreement in the review of the current bases agreement for its last two years, will that pave the way for renewal of the agreement after it expires in 1991?

A. The official position of the Philippine government is that we are holding our options open until the termination of the present agreement.

Q. Given the regional value of the bases, are you disappointed that more of your partners in ASEAN, the Association of South East Asian Nations, and other non-Communist countries in the Western Pacific have not come out openly and said that it is important for regional security that the American military presence in the Philippines be retained?

A. We respect the individual

positions of the member countries of ASEAN. We appreciate the position taken by our very staunch friend, Prime Minister Lee Kuan Yew of Singapore, in speaking up for the bases. We also appreciate the (supportive) speech delivered by Ahmad Ruzhiddin, Malaysia's defense minister.

However, although these two have taken positions that we appreciate, neither of them, and not one of the other ASEAN countries, are willing to participate in the political responsibility for the bases.

Q. Mikhail S. Gorbachev has said that the Soviet Union was prepared to move out of its main base at Cam Ranh Bay in Vietnam if the U.S. was prepared to do the same in the Philippines. Does this proposal hold any attraction for the Philippine government?

A. Statements of that sort, without any accompanying action, do not impress us at all. If either of the superpowers are seriously thinking of withdrawal, they should do exactly what they did with the treaty on intermediate-range nuclear forces, the INF. They should stop making statements and get down to work. Until they do that, we cannot use any statement from either side as a basis for our policy.

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U.S. and Afghans Differ on Pullout

By Robert Pear
New York Times Service

WASHINGTON — There is a growing debate between U.S. officials and Afghan guerrilla leaders over how best to ensure the speedy exodus of Soviet troops from Afghanistan.

U.S. officials say they have told the guerrillas not to attack Soviet forces pulling out of Afghanistan, because such attacks could slow the Soviet withdrawal. But some guerrilla leaders have replied that such attacks instead would expedite it,

giving the Russians an extra incentive to get out before the Feb. 15 deadline.

In the midst of the debate, the United States has named a special envoy to advise the guerrillas as they step up their political and military campaigns to replace the Soviet-backed government.

The envoy, Edmund McWilliams Jr., is assigned to the U.S. Embassy in Islamabad, Pakistan, where he works as a special assistant to the new ambassador, Robert B. Oakley.

Last week, a guerrilla official visiting Washington said, "Afghans do not believe the Soviets will allow the puppet regime in Kabul to fall." The guerrilla, Mohammed Es Haq, here to brief members of Congress and administration officials, added, "Afghans believe the Soviets will find some way to continue intervention."

The prime minister of Afghanistan, Mohammed Hassan Sharq, visited Moscow last week, met with Mikhail S. Gorbachev, the Soviet leader, and signed an agreement establishing "a long-term program for economic, technical and trade cooperation through the year 2000."

Soviet accounts of the visit made almost no mention of General Najib, the Afghan president, but lavishly praised Mr. Sharq.

A State Department official said it appeared that the Soviets were "distancing themselves" from the president and trying to prepare the way for his departure and replacement.

There are seven major factions of the Afghan guerrilla movement. The Islamic fundamentalists, including many members of the Pathan ethnic group in southeastern Afghanistan, say the guerrillas should fire on departing convoys of Soviet vehicles, to teach the Soviets a lesson so they will never again intervene in Afghanistan.

Other guerrillas do not want to harass the departing troops because they know the Soviets have often retaliated by bombing villages.

WORLD BRIEFS

Haitian Crowd Backs Dissident Priest

PORT-AU-PRINCE, Haiti (UPI) — About 2,000 chanting demonstrators marched through the capital Sunday, eight days after a military coup, to demand that church leaders allow Haiti's most outspoken priest to hold Mass.

The Reverend Jean-Bertrand Aristide, known for his opposition to Lieutenant General Henri Namphy, who was deposed in the coup, has not been seen in public since an attack on his parish church Sept. 11 that left 12 people dead. The attack helped to precipitate the Sept. 17 coup by noncommissioned officers, who installed Lieutenant General Prosper Avril, as president.

The marchers walked from the Roman Catholic St. Gerard Church in Port-au-Prince toward the Salesian church in the fashionable suburb of Penonville, where Father Aristide was reportedly hiding. He is thought to be under restriction by church leaders from speaking in public.

Panamanian Leader to Get U.S. Visa

WASHINGTON (Reuters) — The acting Panamanian president, Manuel Solis Palma, has been given permission to attend the opening of the UN General Assembly in New York but U.S. diplomats will boycott his speech, according to a State Department official.

The United States does not recognize Mr. Solis Palma and is seeking to remove Panama's de facto ruler, General Manuel Antonio Noriega, who has been indicted in Florida on drug charges. Washington insists Panama's legitimate president is Eric Arturo Delvalle, dismissed by Gen. Noriega earlier this year.

"Solis Palma has been authorized to get a visa," said a State Department official, "but U.S. representatives will not attend his speech." Mr. Solis Palma was scheduled to address the assembly on Tuesday.

Throng Asks Return of Serbian Rule

NOVI SAD, Yugoslavia (Reuters) — Tens of thousands of Yugoslavs, ignoring official pleas to halt their agitation, held another in a series of rallies Sunday to support the returning of an autonomous southern region with an Albanian majority to Serbian control.

The rally, which attracted an estimated 70,000 to 100,000 people, followed a 150,000-strong demonstration in the southern Serbian town of Nis on Saturday, the biggest such protest in two months of ethnic unrest.

The protest Sunday in this town in Vojvodina Province was held despite official pleas to stop the rallies, which began here in July. The protests were prompted by reported persecution of Slavs by ethnic Albanians in Kosovo. Leaders of the demonstrations hope to bring Serbia's two autonomous provinces — Kosovo and Vojvodina — back under central Serbian control to crack down on ethnic Albanian nationalists and separatists there.

French Socialists Lead in Local Vote

PARIS (Combined Dispatches) — The Socialist prime minister, Michel Rocard, faced the first major judgment of his five months in office on Sunday as voting began in local elections.

France's political parties were competing for 2,042 seats on about half of the country's district councils, or cantons, in the two-round election. The second round of voting takes place Oct. 2.

First partial results issued by the Interior Ministry showed the Socialists taking 25 percent of the vote, the Communists 16.6 percent, the Union for French Democracy 14.34 percent, the Rally for the Republic party 16.67 percent and the National Front 3.31 percent. Abstentions seemed high. The ministry said that by 5 P.M. the turnout was 42 percent, compared with 55.98 percent in 1982. (Reuters, UPI)

For the Record

Foreign Minister Shimon Peres of Israel and his Czechoslovak counterpart, Bohoslav Choupek, will hold the first open talks between the two states in 21 years, the Israeli Foreign Ministry said Sunday. "The meeting will be in New York where both men will be for the United Nations General Assembly and it will probably take place on Tuesday," a spokesman said in Jerusalem. (Reuters)

The autumn session of the Supreme Soviet will convene Oct. 27 in Moscow to discuss the state plan and budget for 1989, the Communist Party newspaper Pravda said Sunday. (Reuters)

Fury rebels attacked the eastern Nicaraguan town of Los Angeles on Saturday, killing an army officer and a local Sandinista official and looting homes, the government radio reported, quoting a Defense Ministry official. (AP)

Four Philippine soldiers and 12 Communist rebels were killed in two separate clashes in the northern Philippines, according to military reports. The reports on Saturday said two soldiers and eight rebels died in a battle in Pangasinan Province and four guerrillas and two soldiers were killed in Bataan Province, west of Manila, when a rebel camp was overrun. (Reuters)

TRAVEL UPDATE

Soviets Said to Reject Berlin Air Shift

BONN (Reuters) — The Soviet Union sees no need to break a monopoly on air travel to West Berlin and has demanded that East Germany be consulted about the use of its air space, a West German newspaper has reported.

The newspaper, Bild am Sonntag, released an unofficial translation Saturday of the Soviet response to plans by the Western allies to expand airline services to the city. The document said the Soviet Union saw "no practical need whatsoever" for ending the monopoly.

The tripartite allied command that administers West Berlin announced in June that it was lifting a 40-year monopoly by Air France, British Airways and Pan Am on services from West Germany to the city because of increased market demand.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Hong Kong, Israel, North Yemen, South Korea, South Yemen, Sri Lanka, Taiwan.

TUESDAY: Ethiopia.

WEDNESDAY: Taiwan, Vatican City.

THURSDAY: Paraguay.

FRIDAY: Botswana.

SATURDAY: Botswana, Burma, China, Macao, Nigeria, San Marino, South Korea.

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Doubts About Quayle Increase

By David Hoffman
Washington Post Service

WASHINGTON — Senator Dan Quayle, the Republican vice-presidential nominee, has become a nettlesome internal problem for George Bush's presidential campaign, according to campaign sources.

New polls show that confidence in the Indiana Republican is slipping and that the Bush campaign has continued its strategy of trying to keep the senator out of the limelight.

According to the campaign sources, the strategy with Mr. Quayle is to keep him "out of the fast lane," as one official put it, having him travel largely to smaller media markets and avoid controversy.

In Mr. Bush's own campaigning, Mr. Quayle is mentioned infrequently. For example, Mr. Bush spoke last week at a \$3.1 million party fund-raiser in Houston, an audience of receptive Republicans, and never named his running mate.

When Mr. Bush selected Mr. Quayle, the campaign chairman, James A. Baker 3d, called the move a "bold reach across generations," and Mr. Baker defended the senator as being prepared to take over the presidency. But a month later, public opinion surveys show that these basic premises of the Quayle selection may have been seriously flawed and are not being accepted by the voters.

Mr. Quayle has not had a marked influence over younger voters, according to recent public opinion polls, and a large number of voters of all ages say he is not prepared to be president.

Moreover, the polls suggest that Mr. Quayle's standing among voters has deteriorated since the convention, and Mr. Quayle is increasingly becoming a target for the Democratic nominee, Michael S. Dukakis, and his running mate, Senator Lloyd Bentsen of Texas.

According to the sources, who are well-informed on campaign thinking and who asked not to be identified, Mr. Quayle's standing has been hurt by a series of impromptu remarks, including a confused effort to explain farm policy, a Chicago speech on foreign policy that wandered away from the text, his "I didn't live in this century" slip-of-the-tongue and other campaign errors.

In addition, unfounded rumors about Mr. Quayle's early schooling and career have circulated regularly, as they did in the days immediately after his selection, causing senior Bush and Quayle campaign officials to devote hours of time to checking. Despite the groundlessness of most of the stories, the campaign has had to spend large amounts of valuable time on the problem.

Mr. Quayle's team of experienced Republican operatives, led by the veteran strategist Stuart K. Spencer, have responded to Mr. Quayle's campaign problems with an intense damage-control effort, scripting the senator's speeches and trying to persuade him to stick to the text once he agrees on one, as he did in Los Angeles last week.

The campaign has tried to keep attention focused on Mr. Bush instead, hoping that voters will not be influenced by Mr. Quayle and gambling that Mr. Quayle can turn in a better-than-expected performance in his Oct. 5 debate with Mr. Bentsen.

Mr. Quayle has been given a low-visibility spot on the Republican marquee. On Thursday, for exam-

ple, President Ronald Reagan campaigned before 9,000 enthusiastic students at Baylor University — the kind of audience that the "generational change" theme might be aimed at — and did not mention Mr. Quayle either. Mr. Bush and Mr. Quayle will campaign together on Monday, the first joint appearance since Labor Day.

Mr. Quayle has been given a relatively light schedule, such as two rallies a day and two private fund-raisers and infrequent news conferences. He follows one of the traditions of vice-presidential campaigning, aiming at getting good local coverage in smaller areas where visits by a candidate of national stature can be big news.

Mr. Quayle was picked by Mr. Bush in a process of secrecy in which Mr. Bush did not give his advisers or others an opportunity to challenge his reasons before they were announced, those involved with the process say. At the time, some top Bush aides said they were advocating Mr. Quayle because they believed he would be a good campaigner. Mr. Bush, in announcing his choice, also embraced the conclusion that Mr. Quayle would appeal to younger voters.

Now few campaign insiders or Republican outsiders are trying to take credit for Mr. Quayle's selection. One source said, "Anybody who was ever for Quayle at all before he was picked is denying it today. People who six weeks ago were calling up and saying what a great campaigner he is and all that now are acting like they never heard of him."

Billy Carter Is Dead at 51; Lively Brother of President

The Associated Press

PLAINS, Georgia — Billy Carter, 51, whose down-home candor and maverick ways endeared and sometimes embarrassed the administration of President Jimmy Carter, died Sunday.

He had suffered from cancer of the pancreas, the same disease that killed his father and a sister. Mr. Carter, who once defined himself as a beer-drinking good boy, was forced to redefine himself when his elder brother rose from their tiny hometown of Plains into the White House.

Under Billy Carter's stewardship, the family peanut business became a \$5 million operation. But his brother's political success forced changes. In an interview a decade later, Billy Carter said he still regretted being cut off from work he did well when the family businesses were placed in trust during the Carter presidency.

"It changed my lifestyle completely," he said. "I was 40 years old and went from one extreme to the other just overnight." Reporters eagerly wrote down every word as Billy Carter held court in his little gas station across the park from his brother's presidential headquarters in the southwest Georgia hamlet. Within the space of a few years, he put his name on a brand of beer that flopped, drew criticism for remarks denounced as racist or anti-Semitic, accepted money from Libya and was forced to sell some properties to pay a debt to the Internal Revenue Service. But underneath the mask of the court jester was a perceptive man, an avid reader, a fighter who refused to go down quietly under the pressures of alcoholism or cancer.

Jimmy Carter stood by his brother, refusing to muzzle him, joking about Billy's contributions to the beer industry and assuring reporters that Billy was a competent, capable man.

U.S. Vote: One-Third Are Unsure

New York Times Service

NEW YORK — A New York Times-CBS News Poll released during the weekend showed that 37 percent of the probable electorate had no preference in the presidential campaign or said they could change their current choice. In addition, 52 percent said that the candidates were not saying enough about the issues they said should be the most important.

The New York Times-CBS News Poll, conducted Wednesday through Friday night with 1,195 adults, including 802 registered voters, suggested that voters were waiting for the new information they hoped the debate Sunday night would provide. The poll results were released Saturday.

When the results were weighted to reflect likelihood of voting, the poll showed Mr. Bush leading Governor Michael S. Dukakis 46 percent to 40 percent, with the rest undecided.

A New York Times-CBS News Poll taken two weeks ago showed Mr. Bush ahead by 47 percent to 39 percent. Both polls had margins of sampling error of plus or minus three percentage points.

For Dukakis, Backyard Woes

By Andrew Rosenthal
New York Times Service

BOSTON — With a month and a half left in the U.S. presidential campaign, about the last thing Governor Michael S. Dukakis wanted was Vice President George Bush needing him in his backyard, the Massachusetts legislature defying him and Massachusetts residents growling about his record.

But that is exactly what has happened. Mr. Dukakis, the Democratic nominee, has had to spend more time lately than he would have liked in dealing with local problems, some of which are a result of the Bush campaign's efforts to sow national doubts about the issues they said should be the most important.

Some problems come from the legislature, which defied Mr. Dukakis and convened an extraordinary session of the state Senate at the height of the campaign.

Some come from the vexatious relationship that a third-term governor can develop with his constituents after the glow of his accomplishments has worn off and his decisions have irked enough different groups.

"There is a natural friction you pick up with governing," said Joseph E. Duffy, chancellor of the University of Massachusetts at Amherst. "This is our person and you can get petulant and impatient with someone you know well."

Interviews conducted across Massachusetts last week showed that Mr. Dukakis appeared to have won strong support and wide respect for his intellectual and managerial abilities.

But residents of his home state, even those who said they would vote for him, were quick to criticize him as too arrogant or cold, or too liberal, or too concerned about winning the presidency and not concerned enough with the problems of Massachusetts.

"He's starting to look like an opportunist," said Robert Fisher, who works in a department store in Westfield. "He's taking advantage of things now just because it happens to be a way to get elected, and Boston Harbor's a good example."

"I mean, how long has that cleanup been delayed? If it's his fault

exactly, but he could have been doing something about it before now. I didn't see him sailing around the harbor until the campaign and it seemed like a good picture for the media."

Whether or not these criticisms are justified, it was clear that many residents of the state were basing their judgment of their governor not

on lofty issues like national defense but on visceral reactions to a man they feel they know well, and on local issues.

Boston cab drivers, for example, almost uniformly dislike Mr. Dukakis because auto insurance rates are high and speeding tickets expensive. In Boston on Thursday, the Motorcyclists Against Dukakis organization held a rally at which the members inveighed against his presidential campaign because state motorcycle inspection fees have risen to \$15 from \$4.

That same day his Republican opponent, Mr. Bush, embarrassed Mr. Dukakis by coming to town to accept the endorsement of the Boston police officers' union. No one suggested that that was going to cost Mr. Dukakis the election, or even Boston, but it meant his top staff had to take time away from preparing for the Bush-Dukakis debate Sunday night to fashion a suitably telegraphic retort.

Mr. Bush's campaign has quadrupled its staff in Boston, to eight people, and has started running local television commercials attacking Mr. Dukakis.

All of this appears to have had some effect. Public-opinion surveys conducted for The Boston Herald and WBZ-TV suggested that Massachusetts had become a close race in late August, even though Mr. Dukakis's edge had increased since

Mr. Dukakis has many staunch supporters. "How can I not be for him?" said George Coulouras, who owns a cafe in Lowell, a former mill town that is a centerpiece of the state's economic surge under Mr. Dukakis. "Buildings in Lowell that used to sell for \$10,000 are going for a million or more and that's because of Mike Dukakis."

In Westfield, Katherine Cavanaugh praised him as frugal. "I think he'd save us a little money," she said. "Maybe he doesn't know anything about foreign policy, but he can learn fast and he's smart. He didn't go to Harvard for nothing, did he?"

But it is also easy to find people who have critical things to say about Mr. Dukakis. Take William Lucas, the owner of a furniture and appliance rental store in Lowell. "He's got a lot of people thinking he's created some kind of miracle in this state and it annoys me," Mr. Lucas said. "As far as I am concerned, his predecessor got it started and he took over the reins."

Even supporters criticized Mr. Dukakis as too arrogant, too liberal, or too concerned with the presidential race.

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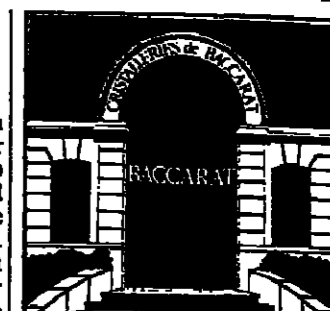
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Herald INTERNATIONAL Tribune

Gorbachev on the Move

Fresh from a month's vacation, Mikhail Gorbachev has launched his second major initiative toward Asia. His speech on Sept. 16 in Siberia, like his 1986 Vladivostok address, featured some headline-grabbing holism. But it also had other layers and audiences. Together with other recent gestures, the speech affirms his eagerness to strengthen Soviet ties in Asia much as he has improved his relationships in the West. It also affirms his considerable diplomatic agility, which the West is inclined to underestimate. To the American ear, Mr. Gorbachev's two main proposals ring false. He offers to turn the illegal radar installation in Siberia into an international space center. That sounds good, but it may also be an elegant justification for finishing the controversial facility instead of dismantling it as Washington demands. Then there is the offer to shut down the Soviet naval base at Cam Ranh Bay in Vietnam if the United States pulls out of its bases in the Philippines. But the Soviet base is far smaller than Subic Bay and Clark Air Base, America's largest and oldest bases overseas. More than asymmetrical, this offer is mischievous, coming amid difficult U.S.-Philippine negotiations over the bases. Still, even the Cam Ranh Bay offer might sound more appealing to, say, the Chinese, who have been worrying about Soviet military strength in the Pacific. The idea of the Russians leaving Cam Ranh Bay is at least responsive to this worry. So is Mr. Gorbachev's seven-point peace plan for the Pacific — for all its hot air, which the Chinese can detect as well as anyone. China must also have noticed other initiatives in the speech, ones which Mr. Gorbachev probably takes far more seriously than the showy security talk. He called for special economic zones in Soviet Asia modeled on those in southern China. He welcomed Beijing's proposal for Chinese-Soviet-Japanese economic projects. He proposed Chinese-Soviet agricultural ventures along the border. And he declared Moscow eager to open economic ties to South Korea. China's response, while cautious, was warm. Prime Minister Li Peng sounded eager to normalize relations, and optimistic about the prospect of the first Chinese-Soviet summit meeting in 30 years. Much of what Mr. Gorbachev offers has little to interest Asia. He cannot afford economic aid with which to carry favor. Even his joint ventures find few takers. Who wants to deal with his moribund, bureaucracy-bound economy? Most important, frosty Soviet-Japanese relations have warmed barely at all, although Moscow has at last approached, if inadequately, the central obstacle: Soviet occupation of four of the Kurile Islands. The Gorbachev speech gives further evidence of a distinctly different Soviet diplomacy. Coalition-building, persuasion and diplomacy are beginning to overtake pure might in importance. New departures in U.S. diplomacy await a new president. Meanwhile Mr. Gorbachev, whether by withdrawing troops from Afghanistan, buying computers assembled in Peru or carrying favor with Philippine businessmen instead of arming Philippine guerrillas, sees fresh opportunities and shows a talent for probing them. — THE NEW YORK TIMES.

High Stakes in Yerevan

The protests of Soviet Armenians constitute a great upheaval with the potential to shake the Kremlin to the core. The issue centers on a demand that an enclave heavy with Armenians be transferred from the Soviet republic of Azerbaijan to neighboring Armenia. But the effect is to open up the whole question of how the dominant Russian "nationality," now perhaps a minority, relates to the many other ethnic groups in the Soviet Union. It is a question about the fundamental nature of the Soviet Union. Last summer the Kremlin rejected demands to transfer the enclave and instead offered Armenians greater cultural autonomy within it. The inefficacy of that solution is reflected in the new violence that broke out on Sept. 18 between Armenians and Azerbaijanis. Protests and strikes brought hundreds of thousands of people into the streets, and the security forces and then the army were moved in. Nor is ethnic unrest confined to one republic. Elsewhere in the Caucasus and also in the Baltic region, places where Russian (and Communist) control was imposed in the periods of the first and second world wars respectively, tensions of different sorts and intensities are running. — THE WASHINGTON POST.

Games Worth Watching

The Olympics have not captured America's attention this year the way they did in 1984, and not just because NBC's cameras fit around too much. Seoul can't hope to duplicate the excitement, or the hype, of games at home in California. And U.S. athletes can't hope to match the gold they got when the Russians stayed away. Still, the 24th Olympiad appears to be the best ever. It is certainly the most competitive. Free of political boycotts at last, these games test virtually all the world's best, thousands of incredibly dedicated individuals and hundreds of fine-tuned teams from a record 160 nations. With big powers still dominant, upsets are more dramatic. Anthony Nesty of Suriname outlasted the superstar American Matt Biondi by one-hundredth of a second. Sylvia Poll won Costa Rica's first medal ever, a silver in swimming. And when Rosa Mota of Portugal took the women's marathon, she summed it up for all the non-powers: "We are a small country, and today we are the same size as other countries." In a reverse upset, Arlene Limas of the United States won at taekwondo, one of the martial arts that is a South Korean specialty. When the sound system failed for her medal ceremony, she led the arena in singing "The Star-Spangled Banner." If there were medals for innocence of spirit, she earned one. So did Greg Louganis. This extraordinary young man — orphan, dyslexic — cracked his head on the springboard, got four quick stitches, dived again minutes later and won. Afterward he apologized to spectators who might have found his accident unpleasant to watch. The TV ratings indicate that most Americans weren't watching. That's their loss. The quality of NBC's coverage has been spotty but the quantity is ample — prime time, week hours and breakfast, too. There is less of the partisan flag-waving that biased ABC's coverage in 1984, but also less continuity. Cameras jump too frequently from event to event, making a blur of sports, further interrupted by frequent blasts of commercials. When it's all over, the South Koreans may deserve a medal for smooth management and effective security. Except for their boxing coaches, who beat a referee for penalizing a Korean boxer, the hosts seem properly hospitable, and then some. They are even providing Korean cheering squads for athletes from countries too small or too poor to have their own fans in the stands. South Korea wanted to stage the Olympic Games to showcase its development as a modern nation. So far, so good. — THE NEW YORK TIMES.

Other Comment

Thatcher vs. the Euroleft

If Mrs. Thatcher had declared that she had a dream for a capitalist Europe freed from giant industrial cartels and from trade union restrictive practices, much as 10 years ago she declared that she had a similar dream for Britain, nobody could have justifiably accused her of being anti-European. But instead she mistakenly chose to declare verbal war on the idea of a supranational federal European state, which is not a serious danger at all. But by pretending that it is, Mrs. Thatcher has given her critics a wonderful opportunity to make her appear at best curiously negative and at worst paranoid. What is really at issue is not supranationality vs. nationality so much as capitalism vs. corporatism. Here there really is a genuine argument and it is absolutely right that the leader of the British Conservative Party should make it clear where she stands and

therefore where Britain is going to stand for the foreseeable future: fervently and resolutely on the side of private enterprise and against anything that smacks of socialism or corporatism. A supranational European state almost nobody wants. But a socialist or corporatist Europe has very widespread support and unless Mrs. Thatcher fights this concept every inch of the way it could all too easily come about by stealth. Before the United States of America came into existence there were passionate arguments between Alexander Hamilton and Thomas Jefferson. It has never been suggested that Hamilton loved the United States any less than Jefferson. The debate about Europe today is no longer between pro-Europeans and anti-Europeans but between supporters of two different broad attitudes to society, and neither group is more European than the other. — Peregrine Worshorne writing in The Sunday Telegraph (London).

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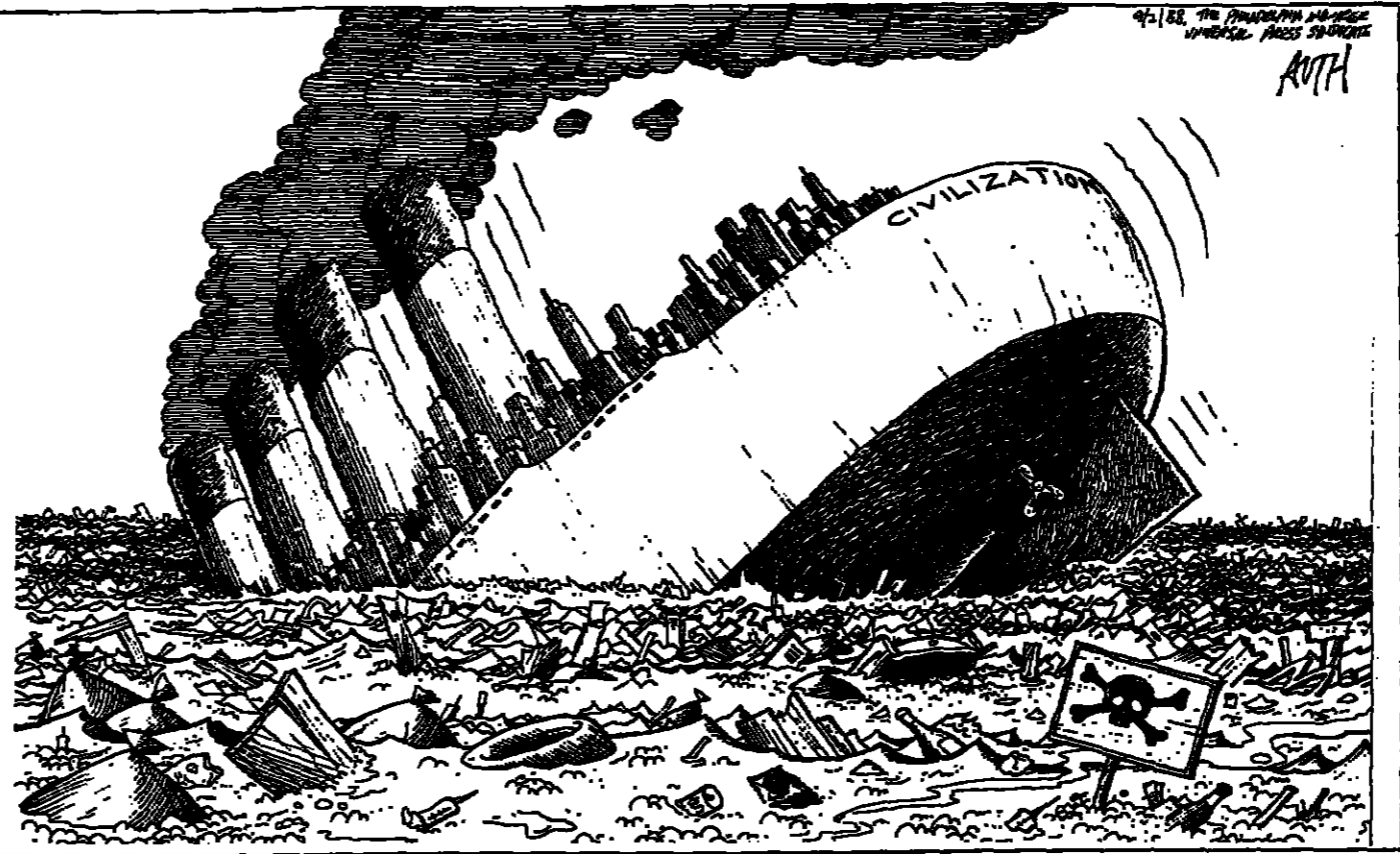
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OPINION



Science: Let's Hear More About the Second-Raters

By John Maddox

The writer is the editor of Nature magazine.

LONDON — Everybody applauds the first-rate science, the stuff of which Nobel prizes are made. Yet there is such a thing as second-rate science — but who will tell you what it is or where to find it? Recently, the science journal Nature stumbled into a controversy that left me with the impression that a substantial part of the scientific community would prefer to avoid these questions. Publicly, the convention is that all science is excellent but some especially so. Last June, flying in the face of that convention, Nature published an article by Dr. Jacques Benveniste, director of a medical research unit in Paris. In it Dr. Benveniste claimed to have discovered that a biochemical entity, widely used in testing white blood cells for allergic reactions, remained active even when diluted to such a degree that none of the active substance could have conceivably remained. The results of the experiments, which constituted all established principles of physical science, were literally unbelievable. Dr. Benveniste's claims also have a more immediate interest. Homeopathic medicines include substances given at high dilution, which at least ensures that they do no harm. They are offered by a quarter of French physicians and are also used by the British royal family. The homeopathic community has been delighted by the publication of these claims, but has been surprised to learn that Dr. Benveniste had not disclosed, as convention would have required, that the salaries of two of his colleagues are paid by a French manufacturer of homeopathic medicines. In the course of two years, four prepublication reviewers had told us that they could see nothing wrong with Dr. Benveniste's account of the experiments. After protests from Dr. Benveniste our refusal to publish

his article would imply the suppression of the greatest discovery of this century, we agreed to publish it — on one condition: There would be an on-site investigation of the experiments at his laboratory, conducted by a reviewing group nominated by me. The on-site reviewing group found that the prepublication reviewers could not: a series of elementary procedural errors which, taken together, allowed the laboratory to nurture the delusion that the highly diluted solutions retained their activity. The group also found that Dr. Benveniste's claim that his data were reproducible was false. Dr. Benveniste's indignation at our investigation is understandable, but I am surprised at the reaction of others in the scientific community. There have been complaints that we debased ourselves, and even science, by washing dirty linen in public. Why, asked the complainants, did we waste space on, and thus give currency to, second-rate science when there is first-rate material to be published? Why did we not investigate first and publish only if the research proved valid? The answer to both questions is that people should know what second-rate science is and that there is a lot of it about. Too much of it goes unchallenged — just because the convention says that science is excellent and some especially so. Upholding that convention brings the scientific community several benefits. It allows everybody in a white lab coat to claim an equal share of the dignity of an honorable profession. It opens the pretense of allowing free speech and open criticism by junior people of their seniors' work. But full-blooded criticism is in reality allowed only in private — at a

lab seminar, in a private report or over lunch. This permits pockets of second-rate science to remain isolated from the daily drubbing of skepticism. It wins second-rate science a reputation and influence incommensurate with its merits. There were complaints, too, about the investigation we conducted. We deliberately sent an unorthodox team, including a professional comedian, James Randi, who is now a MacArthur fellow. It was Mr. Randi who did most to expose Uri Geller, the parapsychist who claimed that he bent spoons through sheer meditation. In the case of Dr. Benveniste's claims, it appeared that a hoax was in the cards. Less aware or determined people would have been shy of demanding laboratory notebooks overnight. Why did we not send immunologists expert in Dr. Benveniste's field to investigate? Because the convention that holds that all science is excellent constrains inter-laborato-

ry criticism of colleagues, allowing the second-rate to go undetected. Rival journals have offered gratuitous but unhelpful advice. Dr. Daniel E. Koshland Jr., the editor of Science, was quoted as saying that general journals such as ours should publish only well authenticated science. Dr. Arnold Reisman, editor of the New England Journal of Medicine, said that editors must confine themselves to making sure that reviewers are rigorous and fair. Both comments suggest that general journals have a particular responsibility to cover up science that is less than excellent, which seems to be the opposite of what the scientific community and the public need. For the well-being of the scientific community as a whole, there is an urgent need that practitioners recognize that second-rate science exists, can be exposed and should be more openly categorized as such. Then, to say the least, there would be more funds for excellent science and less confusion in the public mind about what science means. — The New York Times.

Apartheid Works Miracles

LET me quote from one of our few remaining daily newspapers, The Government Gazette: "Nearly 800 South Africans became officially members of a different race group last year, according to figures quoted in Parliament and based on the Population Registration Act. They included 518 coloreds who were officially reclassified as white, 14 whites who became colored, three Chinese who became white, two whites who became Chinese, seven Malays who became white, one white who became an Indian, 50 Indians who became colored, 54 coloreds who became Indian, 17 Indians who became Malay, four coloreds who became Chinese, one Malay who became Chinese, 89 blacks who became colored, five coloreds who became black." I couldn't make it up if I tried. — Pieter-Dirk Uys, in a recent radio interview. Mr. Uys is an Afrikaner playwright, director and actor, South Africa's leading white satirist and a critic of apartheid. This comment was excerpted by The New York Times.

Stunted Children: A Crisis America Can't Handle?

By Daniel P. Moynihan

The writer, a New York Democrat, is chairman of the Senate's subcommittee on social security and family policy.

WASHINGTON — To talk about the condition of children is by definition to talk about the families in which they live. That is why Americans are going to have to learn to talk about two kinds of children, because — of a sudden, in a flash — we have become a society divided into two kinds of families. In this dual family system, roughly half our children, somewhat randomly but inexorably, are born into a fair chance. We know precious little about what to do about it. At any given moment, about one child in four is born poor. Over time, upward of one in three will be on welfare at some point. One in two will live in a single-parent, female-headed household. The "normal" family is no longer normal. The Bureau of Census projects that only 39 percent of children born in 1987 will live with both natural parents until age 18. We may be entering an era in which this dual family system defines the gradations of social class. Years ago, the social scientist William Graham Sumner observed that social class breaks down into people with habits. These include the habit of having money, which is beginning to define social class as never before. We make a great fuss over regular income — partly because we measure it precisely (thanks to the income tax) and partly because it is what most of

us live on. In reality, regular income is a sometime thing. It bounces around, especially at lower levels. Wealth — real estate, stocks, bonds and capital assets — endures. Wealth produces assets that live on, independent of the individual. We appear to be a country in which wealth is accumulating mightily in the upper reaches. The top 10 percent owns 65 percent of all net worth, the bottom half a mere 4 percent. Families are the means by which wealth is passed from one generation to another. Families that remain intact accumulate wealth. Single-parent families seem to accumulate little or no wealth. When last measured, black female heads of households with income under \$11,000 had a median net worth of minus \$18. A quarter of female-headed families commence with a "premarital birth." An old misfortune. But new and central to the dual family system is the devastation that awaits divorced women. The Urban Institute reports that in the year following a divorce the living standard of children and women typically falls to about two-thirds of its former level. We simply do not know how much life-styles pass from one generation to another. Single-parent families can be as good as or better than the alternative. But researchers find patterns — educational, economic and what might be called ecological — that are clearly negative. Among whites, daughters of single parents are 53 percent more likely to marry as teen-agers, 111 percent more likely to have children as teen-

agers, 64 percent more likely to have a premarital birth and 92 percent more likely to divorce than daughters of two-parent families. Upward of half of American children run into the troubles that go with a single-parent, low-income family. Many overcome this; some seem hardly to notice. In each cohort, many individuals will move up into the "stable" regions of our new social class structure, but many will move down. If you first get these things straight, it is a little easier to rough out a policy response. Some things you surely don't do. Unhappily, one of the things you surely don't do is something we have just done. We've trashed the nation's finances — not so much by the tax cuts of the Reagan administration but by the borrowing that followed. Interest is beginning to eat us alive. Debt service next year will be greater than the deficit. For the foreseeable future, it will require one-quarter of each citizen's personal income tax to pay the interest on money borrowed during the past eight years. This is essentially a transfer of wealth from working single parents in the Bronx to holders of long-term Treasury bonds living in Palm Beach. In such ways, government policy intensifies the social structures that work against giving all youngsters a fair chance in life. For all this, welfare is the greatest obstacle. The present system began as a temporary widows' pension. The typical recipient was represented as a West Virginia miner's widow. No question of alimony or child support payments arose; the father of the family was dead. No question of employment arose; women did not work in coal mines. A half century later the same arrangements support a wholly different population. Today's typical welfare recipients are head families in which the male parent is simply absent, not dead, and the female parent is fully employable, if helped into the labor market. In the next two weeks in Congress, we could secure the first real change in welfare since the program began. Both houses have enacted measures that respond to the new dual family system. We would take the present maintenance system and turn it into an employment program, with child support from absent fathers, transitional child care and health benefits

for mothers leaving welfare and unprecedented automatic funding for education and training. A mother cannot work without child care. A mother cannot work without skills. The cost of providing these is manageable: \$3 billion to \$4 billion over the next five years. The cost of not doing it is far greater and unacceptable. Every other American child will be born into a single-parent family, born to bad luck; every third American child will be doomed to spend part of his childhood on welfare, in poverty. In less than 20 years, these children will have children of their own. And so forth. From almost the moment the dual family system appeared, successive Congresses and presidents have tried to respond, with welfare the central symbol of the problem. Often we have come close but, so far, always we have failed. The central reason for this is that we have only slowly come to recognize and accept the new social reality we are dealing with. The present welfare legislation addresses the present reality. Success or failure will be a form of reality testing. If we fail this time — a millimeter from victory — I would be inclined to think that this is something American society can't handle. Which means we will have spoiled the next century. — The New York Times.

100, 75 AND 50 YEARS AGO

1888: A Bobtail Comet

PARIS — The comet discovered by Professor Barnard at the Lick Observatory about two weeks ago is a most eccentric specimen of a class of astronomical phenomena not noted for conventionality. It has no tail and seems to be coming this way at the rate of 3,000,000 miles a day, a rate of speed that could hardly be expected from a bobtail comet. Where it came from and whether it goeth no astronomer can tell. But it will long be remembered as the first comet ever discovered from a California observatory, and as such its antics will be watched with interest.

1913: Another Mexican

WASHINGTON — Distinct satisfaction over the nomination of the Clerical party of Senator Frederico Gamboa, who is currently Minister of Foreign Affairs, as a candidate for the Presidency of Mexico is manifested at the White House to-day

This Latin Is Talking Good Sense

By Flora Lewis

NEW YORK — Carlos Andrés Pérez is campaigning to be president of Venezuela again. He came to the United States with some new ideas about dealing with what he calls "the historic misunderstanding" between it and Latin America. The two U.S. candidates ought to listen to him because the most urgent and perhaps most difficult foreign questions facing the new U.S. president will be in his own hemisphere. The Reagan administration has focused on minor countries — the pro-Communist government in Nicaragua, the pro-drug government in Panama. When Mr. Andrés Pérez — or CAP, as many call him — was president of his country from 1974 to 1979, the big issues were nationalization, military regimes, human rights. His Acción Democrática party, a member of the Socialist International, was chary of foreign investment, and the "literature of previous decades," as he put it, was "about anti-imperialism, that is, anti-American." Now the issues are debt, drugs, demography, and he sees them as difficulties that other Latin American presidents will have to solve by their own selves. Instead of being so touchy about sovereignty, he says, Latin America should see that "drug traffickers are the ones who breach our sovereignty." He is critical of "bad U.S. policy" on Panama and worries that Venezuela risks going the Colombian way. He urges: "Let Latin America see that the U.S. for intervention, we can't refuse to accept our responsibilities." He called for an international conference that would reward international police cooperation and a fund to promote substitute crops where drugs are grown as a livelihood. "It can't be solved one country at a time, or by concentrating on traffickers or consumers," he says. It is "absurd and unfair" to blame the U.S. government and society, as many Latin do. He considers drugs a world problem, stemming from "the inequities of international society." He was on his way to a high-level meeting at Harvard on debts. That is linked to drugs because just servicing debt has made Latin nations poorer than they were a decade ago, which threatens to undermine their new democratic regimes, reopen the way for military rulers who almost always squander resources, and renew the vicious circle of misery and illegality. The fresh approach comes in a willingness to set aside past grievances and admit that "we all made mistakes, the developing countries, the U.S., the international organizations." And: "Our countries have learned a lot from these crises. Venezuela has changed a lot in the past 10 years. We now value work. The international system puts the main burden for accommodation on the poor, the workers. Our country needs written agreements with labor, management and government to spread the sacrifices." Short-term arrangements through the IMF haven't worked, CAP says. "The situation is getting worse. The sacrifices we made were useless, and things have become intolerable." There is no shortage of proposals for longer-term, more equitable solutions to permit debtors to grow out of their sinkholes. But they aren't getting very far for lack of leadership. Like many other Latin leaders, CAP warns that mounting economic distress could bring people to the streets, and then the military into power. "But people are becoming educated about the costs of military dictatorship. Argentina is paying the bills accumulated by three of them." Still, the dictators and the socialists have come and gone, and the social problems remain. What is there to assume that new help, new indulgence would bring better results? "We have to put our own house in order, to seek healthier economies," CAP says. "We must accept that intervention of the use of credits by international organizations is not undue foreign intervention. The debtors have to see the need of restructuring and making adjustments progressively. The problems were there before the debts." From the Latin view, he sees the need above all "to go for leadership, understanding with the great nations that will continue to play a very important role in the region and the world." This is an important offer from a Latin nationalist who has swung around to talk about "interdependence" and a new sense of sovereignty as "candor and cooperation." It is a willingness to take account of U.S. needs as well. If the next U.S. president isn't prepared to respond, the cost of the damage will weigh heavily on the United States and Latin America. — The New York Times.

Handwritten signature: JPK/Kiel 5/80

AMERICAN TOPICS

Wanted: Olympians To Pitch With Pros

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Short Takes

The oyster crop in Chesapeake Bay is the "worst ever," says Roger Mann, of the Virginia Institute of Marine Science in Williamsburg...

Manhattan streets are usually repaired at night. The New York Times reported in an article headed "You, the Night and the Jackhammers"...

Rivals Seek To Avoid Violence In Lebanon

By Ihsan A. Hijazi
BEIRUT — Despite an acute political split reflected in the existence of two rival governments, Lebanon's warring factions appeared eager Sunday to avoid settling their conflict by military means.

Notes About People

Joey Dee, 48, the singer-songwriter whose "Peppermint Twist" was a hit record a generation ago, is raising money to build a home in Florida for needy, aged rock-and-roll musicians.

Med Tausig, 63, says that for years he hated the nickname "The Velvet Fog" bestowed on him when he was a 21-year-old crooner by a New York disk jockey, Fred Robbins.

At a Washington Post book lunch, Kirk Douglas, whose own autobiography, "The Ragman's Son," is a best-seller, said the title had come to him after he picked up a hitchhiker's sign or in uniform.

Syria rejects Lebanon's three-day Christian military government Sunday in favor of one formed by rival Moslem leaders, denouncing the sectarian partition of the country.

Widow of Allende Ends 15-Year Exile

By Shirley Christian
SANTIAGO — The widow of Salvador Allende, Hortensia Bussi de Allende, came home during the weekend after 15 years of exile, through the "wide open door" that she had wanted.

Mrs. Allende became a symbol of her husband's fallen government and traveled much of the world, being received with honors by presidents and other prominent figures.

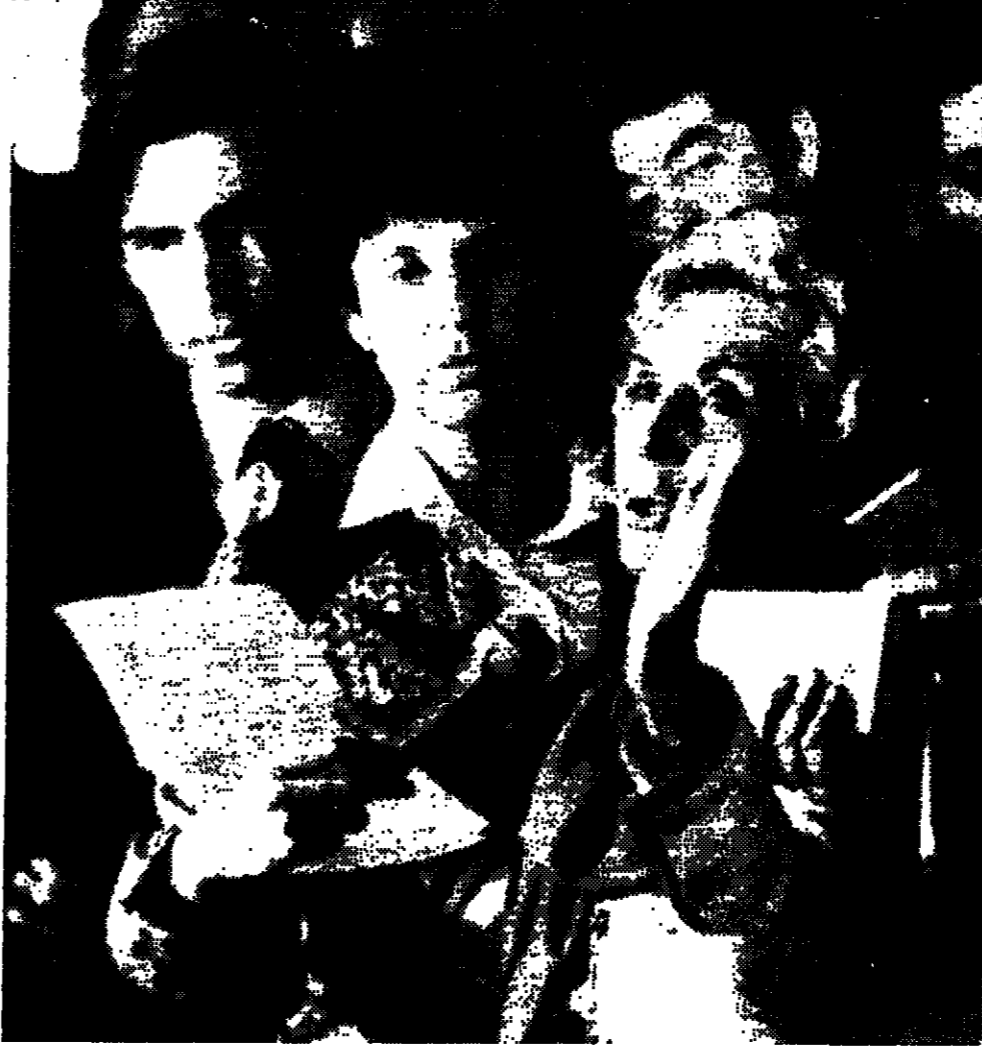
Her voice broke down and she could not continue after she started to refer to one of her three daughters, Beatriz, who committed suicide in Cuba in 1977, and to her husband, who died in the midst of the military coup against his Socialist-Communist government in September, 1973.

However, Mr. Allende's personal surgeon, Dr. Patricio Guzman Klein, who was in the palace at the time, said he saw the president shoot himself. Several other former members of his government have said recently that they believed he committed suicide.

Mrs. Allende, who is now 74, said the first thing she wanted to do was to go to the coastal city of Vina del Mar to visit her husband's tomb.

She was sent to exile in Mexico immediately after attending his funeral in the hours after the coup. Mrs. Allende, who said her greatest desire was to have "a re-encounter with my country," was able to return as the result of President Augusto Pinochet's decision three weeks ago to end the enforced exile of the family and closest collaborators of the former president.

The end of enforced exile, which had gradually occurred for less prominent Socialists and Communists during the past few years, was one of the steps that General Pinochet took as he campaigned for a new eight-year term as president.



Hortensia Bussi de Allende, right, arriving in Santiago on her first visit to Chile since she was exiled 15 years ago. With Mrs. Allende are her daughter, Isabel, and her grandson, Gonzalo Meza Allende.

Reagan, in UN Speech, Will Urge Talks on Spread of Chemical Arms

By Lou Cannon
WASHINGTON — President Ronald Reagan, in a speech to the United Nations on Monday, is to call for an international conference to seek to reverse the trend toward the acquisition and use of poison gas, administration officials say.

The officials said that Mr. Reagan would call upon nations that have signed the 1925 Geneva Protocol on Gas Warfare, outlawing the use of chemical and bacteriological weapons, to hold a conference to explore ways to more effectively enforce existing curbs.

White House officials have been seeking new initiatives that Mr. Reagan might introduce in his speech, his seventh and last to the United Nations as president. The United States and other

Armed Forces Kill 10 Peasants In El Salvador

SAN SALVADOR, El Salvador — Government soldiers rounded up 40 unarmed peasants in a village 48 kilometers from here, accused them of collaborating with leftist guerrillas and killed 10 of them Wednesday, relatives and neighbors of the victims said Friday.

The soldiers blindfolded them and tied them up, said one man, who said he was among those detained in the village, San Francisco. "They shot them with bursts of rifle fire and threw grenades at them."

After the survivors recounted their story, the spokesman said the peasants had been massacred by guerrillas in an attempt to create an incident that would embarrass the army.

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Peres Stresses Flexibility On Palestinian Talks

By James M. Markham
PARIS — Foreign Minister Shimon Peres says he would not worry about "the biography" of Palestinians who might negotiate peace with Israel as long as they renounced violence and accepted the existence of the country.

Mr. Peres, who heads the Labor Party ticket in Israel's general election Nov. 1, said that if he led the nation's next government, he would agree to negotiations with "every Palestinian leader who renounces terror and violence" and accepts United Nations Security Council Resolution 242, which ended the 1967 Arab-Israeli war.

Mr. Peres, who will meet Monday in New York with President Ronald Reagan and Foreign Minister Ezer Weizman, said he had stopped over on route to the United States. He conferred with President Francois Mitterrand and Foreign Minister Roland Dumas. He insisted that he had made no secret contacts with Palestinian representatives.

While hinting that Mr. Arafat might eventually qualify as an acceptable interlocutor, the Israeli foreign minister said that so far the Palestinians had "changed only his rhetoric but not necessarily the positions of the PLO."

Mr. Peres said that in a meeting with Mr. Arafat said that by accepting Resolution 242 the PLO had "indirectly" accepted Israel. "Mr. Arafat finds it extremely difficult to make the necessary decisions," said Mr. Peres. "If he recognizes, recognize directly."

The Israeli politician warned that any move by the PLO to declare the West Bank and Gaza Strip an independent state or to call for UN trusteeship over the Israeli-occupied territories would have a "negative" impact in Israel in the midst of a momentous election campaign.

"It will unite everyone in Israel against the PLO," said Mr. Peres, adding that such a step would be a "coup de theatre" signifying that the "majority of Jordan's population is Palestinian." "Even if Hussein disengages himself from the West Bank, he remains a neighbor of Israel."

Diocese in U.S. Elects Woman as Anglican Bishop

BOSTON — The Episcopal Diocese of Massachusetts has elected the first female bishop in the worldwide Anglican Communion and in the 450-year history of Anglicanism.

Whoops, shouts of joy and tumultuous applause rocked the sedate St. Paul's Cathedral when Bishop David Johnson told delegates that on their seventh ballot they had elected the Reverend Barbara C. Harris, a priest at the Church of the Advocate in Philadelphia, as their new suffragan, or associate, bishop.

Reverend Harris, a veteran of the U.S. civil rights movement and a former businesswoman, won over another candidate, the Reverend Marshall Hunt of Lowell, Massachusetts, by a vote of 145 to 108 among lay delegates. Church law requires a simple majority within each group for election.

According to Episcopal church law, the election of any bishop must be affirmed by a majority of the church's diocesan bishops nationwide and by a majority of its dioceses. Bishop Johnson said this process was expected to take about three months, but that he anticipated no difficulties.

The Labor Party leader suggested that it was now time for the Palestinians in the occupied territories, whom he described as "proud but tired" after their protracted confrontation with Israel's army, to translate the uprising into political capital. He said that those in the PLO who had hoped to see the uprising transformed into a "military option" had been disappointed.

Mr. Peres said that a Labor government would be willing to open negotiations with either a Jordanian or a Palestinian delegation or a combination of both. He speculated that King Hussein's decision in July to sever Jordan's legal ties to the West Bank might prove in the long run to be a tactical move.

"Objectively, I think it's very difficult to divorce between the Jordanian position and the Palestinian position," he said, recalling that a majority of Jordan's population is Palestinian. "Even if Hussein disengages himself from the West Bank, he remains a neighbor of Israel."

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An old soldier stopping near Fukiage Palace in Tokyo on Sunday to pay his respects to Hirohito.

As Hirohito Nears Death, His People Rally to Him

By Patrick L. Smith
International Herald Tribune

TOKYO—As Emperor Hirohito's condition worsened dramatically again during the weekend, many of his 122 million subjects began for the first time to deal with their complex feelings toward him and the disease from which he is suffering.

Crowds outside Fukiage Palace at the center of Tokyo started to swell as soon as periodic reports from the Imperial Household Agency, which administers the affairs of the emperor and his family, took an ominous tone Saturday morning. On Sunday they began to reform in larger numbers at dawn.

In soft but steady autumn rains, the throngs waited more than an hour to add their signatures to those wishing Hirohito a speedy recovery. Many were at a loss to explain their presence, as if they had been suddenly surprised to discover the depth of their own emotions.

Local newspapers have issued one-sheet "extras" at moments when the emperor's health seemed especially precarious. At the same time, they have continually asked in street interviews what no one in Japan seems able to answer definitively: How does this nation feel about the man who has been its symbolic head for 63 years of war, defeat, suffering and prosperity?

But beneath the indifference many Japanese profess toward the monarchy, what has now begun to emerge is a deeper sense of dependence on the emperor as a Confucian father figure, distant and not often thought of, perhaps, but central to the nation's sense of security.

"I felt a basic urge to be here as I watched the television reports," said Kamezaburo Takeuchi, a retired labor leader who traveled an hour and a half to the palace gates Sunday. "I have been a man of the left all my life, but politics don't matter at a time like this. The emperor is the head of the Japanese family."

All week, Tokyo had been a city of marked contrasts.

The somber tones of television broadcasters and the small, orderly groups that gathered at the palace gates seemed to be of another world from the uninterrupted bustle of the nearby business district and the rush of traffic along the wide thoroughfares that ring the imperial residence.

But such contrasts began to fade once the emperor was reported to have a dangerously high fever and emergency transfusions were being administered with increased regularity.

Crowds at imperial residences around the country increased from a few thousand Friday to 80,000 Saturday and twice that Sunday.

On Sunday it was reported for the first time that Hirohito has been suffering from pancreatic cancer. For the last week he has been battling fever, high blood pressure, jaundice and near-constant internal hemorrhages; he has been fed intravenously for several days and required a respirator over the weekend to ease a sudden difficulty in breathing.

Such information has been carefully managed since the emperor's health first declined sharply last Monday. In part this policy stems from a long-standing reticence in Japan to discuss cancer openly.

More immediately, it appears to reflect the highly protective policies of the household agency, in which the presence of descendants of Japan's former nobility is strongly felt.

Having had no experience of an imperial transition in more than six decades, the government has functioned in

an evident state of confusion in recent days, worsened by the agency's efforts to sequester the palace. Even Prime Minister Noboru Takeshita, reported to be "at home reading the newspapers" for much of the weekend, seemed to be taking his cues from functionaries nominally under his cabinet's control.

Nonetheless, there are already signs that the government is likely to face some resistance in its own management of Hirohito's death and the ascendancy of Crown Prince Akihito, the emperor's 54-year-old son. Much of this resistance is expected to revolve around the monarch's dual roles as a national symbol and head of the Shinto religion, which must remain separate under the postwar constitution.

Union leaders and opposition politicians in some prefectures where there is no imperial residence, for instance, have already protested about having to open public facilities at which well-wishers can offer their signatures. Political analysts also expect a debate to erupt over the continued use of the imperial calendar, according to which the current year is 63.

The *genjo* calendar, opponents argue, is one more way in which Japan's leaders are trying to keep the nation separate from the rest of the world. Nonetheless, the cabinet reportedly began earlier this week to consider the name to be attached to the era that follows Showa, as Hirohito's reign is called.

As the end of Showa draws nearer, the attitudes of young Japanese are beginning to appear less distinct from those of their parents. It is one more sign, commentators say, of Japan's ambivalence about its past and its uncertainty toward the present and the future.

"We never believed the emperor was a god, as my father and grandfather did," said Hiromichi Hashizumi, a 25-year-old who was standing outside the palace Saturday. "But now that he is struggling with life, I recognize he has kept our nation together."

CAMPAIGN: The Truth Is Suffering During the U.S. Presidential Race

(Continued from Page 1)

cord" rolled off the copying machines in Boston. Within 24 hours, the Bush campaign in Washington countered with a 127-page refutation of the refutation.

Mr. Dukakis said that the debt figure was misleading, that the "general obligation debt was \$3.9 billion." The \$7.4 billion figure is the level of debt authorized by the state legislature, he said, not the amount that has been obligated by the governor.

Mr. Bush's reply said that the vice president "referred to total debt outstanding," which the Census Bureau less-than-clearly defines as "all debt obligations remaining unpaid on the debt specified."

The pension issue is even murkier. Mr. Dukakis offered what appeared to be a simple, straightforward reply to the charge of underfunding: "Pension costs are fully funded in 1989. Source: Standard & Poor's assigning an A++ rating to Massachusetts 9288."

This is apparently true, but it tells only part of the story.

"There's nothing new about Massachusetts having an underfunded pension system," said Phyllis Borzi, pension counsel for the House subcommittee on labor-management relations. "It has always been well known as one of the worst systems in the country, because it was a pay-as-you-go system. The news is Dukakis has done something about it."

After a long battle, Mr. Dukakis signed a bill in 1986 to fully fund the state pension system over a 40-year period. But Mr. Dukakis, apparently not wanting to draw attention to the still-meager funding of the system, does not mention that in his reply to Mr. Bush.

SOVIET: Setbacks Noted

(Continued from Page 1)

Party officials said last week that about a third of the first 30,000 elections in factories, farms and schools had selected new leaders.

Mr. Gorbachev told the editors that the press was partly responsible for the generally slow pace of change because newspapers often accentuated problems in their coverage and failed to devote sufficient attention to success stories.

"In some speeches and publications," he said, "you almost get the idea that *perestroika* has aggravated the economic situation, thrown finances out of balance, worsened supplies of food and goods and sharpened housing and other social problems."

Perestroika is the Russian word most commonly used for Mr. Gorbachev's program to restructure the economy by reducing central controls, increasing incentives for workers and eliminating many of the rigid practices introduced by Stalin.

Mr. Gorbachev added, "Simply stating that 'the shelves are empty' or 'there are no goods' serves no purpose."

He said that it was unfair to hold his policies responsible for problems that had been created by previous mismanagement of the economy.

Showing an ambivalence toward press freedoms that has run through other recent speeches, Mr. Gorbachev told the editors that "we need a pluralism of opinion" but cautioned against printing material that challenged the value of socialism.

Complaining that the press had split into opposing liberal and conservative camps, Mr. Gorbachev said: "Today I can tell you exactly which letters will be published in this journal, and which in that. Group biases are appearing, and this must be overcome."

Clearly disappointed by the modest changes he has produced but determined to press ahead with his effort to break the country free from the stifling economic and political systems he inherited, Mr. Gorbachev has modified his approach in key ways in recent months.

Acknowledging that in the past he failed to follow through on programs approved by the party leadership, he has devoted considerable attention since the party conference to making sure that the overhaul of the political system approved by the delegates is carried out.

He has also spent more time trying to deal with immediate economic problems, including food and housing shortages, that have left citizens with a sour attitude toward *perestroika*.

SHUTTLE: NASA Hopes Mission Will Fuel Program

(Continued from Page 1)

I'm not sure NASA knows where it's going to go from there."

According to most experts, the agency must determine how much it can realistically rely on the expensive shuttles and manned flight and whether it should follow the lead of the air force and concentrate on expendable rockets for nearly all launchings.

The agency is pushing development of an orbiting manned station for the 1990s, but it must examine more closely how the burden of yet another expensive engineering project will affect other programs, such as space science, planetary exploration and the development of advanced technologies in robotics and propulsion.

Other policy issues will concern NASA's relationship to the more expansive military space program and decisions on whether to compete with other countries on all space fronts or to be selective and perhaps enter into more international cooperative undertakings.

A success by the Discovery could enable the United States to jump back in competition with other countries, particularly the Soviet Union and Western Europe, whose increasingly ambitious programs stole a march on Americans while the shuttles were out of action.

Of more immediate and measurable importance, a successful mission should clear the way for the resumption of regular flights.

Whatever their economic and operational shortcomings, exposed and magnified after the Challenger disaster, the shuttles are the sole means in the Western world for carrying astronauts into space, and will be for years to come.

"They are indispensable for delivering to orbit an accumulating backlog of payloads critical to national security, scientific exploration and the future exploitation of space."

Four out of the first nine shuttle flights, which are planned through the end of next year, will be devoted to secret Defense Department payloads, including satellites for navigation and intelligence gathering that have been in line since the Challenger accident.

The second mission is scheduled to carry a secret military payload that Mr. Pike has said is thought to be an electronic intelligence satellite code-named *Magnum*.

Even the most optimistic forecasts of shuttle flight rates indicate that it could be late 1995 before science missions can catch up with pre-Challenger timetables.

Four major projects have been held up since 1986. They are missions to Venus, Jupiter and the sun as well as the Hubble Space Telescope. Each month of delay is adding about \$1 million to the cost of the telescope, now scheduled for a flight no earlier than February 1989.

INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

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Gr. Britain	F.	135	83	74	41
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Norway**	N.K. (02) 41 34 89*	2,000	1,276	1,100	600
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Rest of Europe, N. Africa, form. Fr. Afr., Middle East & Rest of Afr., Gulf St. Asia		470	Varies by country	260	145
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GENERAL: KUWAIT: U.S. Halts Convoys

(Continued from Page 1)

officials to alleviate Kuwaiti concern that the Gulf is a potential theater of confrontation until the peace negotiations between Iran and Iraq get past their initial deadlock.

Though Iranian speedboats no longer harass commercial shipping, U.S. and Kuwaiti naval vessels have in recent weeks, spotted four or five mines, assumed to have been laid months ago, in the waterway. Iran announced last week that it was conducting mine-clearing operations in the northern Gulf.

The U.S. move will allow the navy to pull one of its warships out of the Gulf immediately and free several others slated for service in the Gulf over the next year, officials said.

The U.S. Navy has a task force of about 26 ships in the Gulf, including seven destroyers and destroyers, six frigates, six minesweepers and two large warehouse ships, according to one official. This number is expected to be reduced gradually and by attrition as each ship's tour comes up for rotation and it returns to its home base.

Under the new escort program, warships and minesweepers will no longer form up in straight lines to

protect reflagged Kuwaiti tankers through the 550-mile (900-kilometer) water course. Under the convoy regimen, Navy officials were in charge of every aspect of moving the tankers through the shipping lanes of the Gulf and out the Strait of Hormuz. Navy officials were aboard each civilian ship in the convoy.

Under the new routine, the tankers will take primary responsibility for their passage through the waterway. Navy officials said there was a "big difference" between the convoy concept and accompaniment.

"We will still be in sight of the ships being accompanied," an official said, "and if they need assistance, we will still be in shooting distance."

U.S. Will Search in Laos And Vietnam for MIAs

(United Press International)

BANGKOK—U.S. military experts will begin this week the most extensive joint searches ever conducted for American soldiers missing in action in Vietnam and Laos, a U.S. Embassy spokesman said.

The search in Vietnam will last through Oct. 5.

INTERNATIONAL CLASSIFIED

(Continued from Back Page)

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MONDAY, SEPTEMBER 26, 1988

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EUROBONDS

Eurobond Markets Try To Shrug Off Ambivalence

By JOHN J. DUFFY
Special to the Herald Tribune

LONDON — After overcoming fears of higher inflation and rising interest rates, the Eurobond market faces a new attitude: ambivalence. London dealers say the international bond markets have gone into a holding pattern as investors wait for new economic data from the United States and elsewhere to confirm the direction of worldwide interest rates.

In the Eurodollar sector particularly, investors are reluctant to make major speculative bets on dollar-denominated securities until they see the U.S. employment report for September, which is scheduled for release Oct. 7, dealers say.

There is a tug-of-war in the markets between those who think the economy is slowing down in the United States and those who think it is not, said Gillman Gunn, an economist at Banque Paribas Capital Markets Ltd. in London.

'Nobody is willing to step up and challenge the central banks at this point.'

The market's ambivalence about the U.S. economic outlook has been reflected in its reactions to recent news. The sharp narrowing in the U.S. trade deficit for July, the modest 0.4 percent rise in U.S. consumer prices in August and substantial declines in gold and oil prices have all failed to galvanize Eurodollar traders into taking concerted action.

In the foreign-exchange markets, speculators have continued to nudge the dollar higher, but have retreated hastily at the first hints of central bank intervention. The result is that the dollar remains locked in narrow ranges of 1.84 to 1.89 against the Deutsche mark, and 133.50 to 135.50 against the yen.

There has been no major move in the market, up or down, since the August trade numbers," said Allan Wilson, executive director at Morgan Stanley International. "So when you price, you've got to give investors some incentive and some value or you're in trouble."

An example highlighting the current situation occurred last week with the launch of two U.S. dollar Eurobond issues — one for BellSouth Capital Funding Corp. and the other for General Electric Co. of the United States.

BellSouth, a financing subsidiary of the U.S. telecommunications company, on Thursday launched a \$120 million issue of 9 1/2 percent, five-year Eurobonds via Morgan Stanley. Priced at 101 1/2, the bonds yielded a generous 48 basis points more than comparably dated U.S. Treasury issues.

The issue from BellSouth, a AAA borrower making its first offering in the Euromarkets, represented an attractive yield for a highly rated company with medium-term maturity, dealers said. As a result, the deal was snapped up and the spread over Treasury issues narrowed to 38 basis points by the end of the week.

The General Electric deal, meanwhile, "was looking a little doggy around the ears" by the end of the week, dealers said. The issue consisted of \$500 million of 9 1/2 percent Eurobonds, priced at 101 1/2 to yield 38 basis points more than similarly dated U.S. government issues.

Dealers said the issue suffered because of its pricing and also because the lead manager, Amsterdam-Rotterdam Bank NV, was not considered a major player in the Euromarkets. "The big institutions will not buy bonds from a bank like Amro — they're just not in the flow," a dealer said.

Although Amro itself dismissed the criticism, several traders estimated that the Dutch bank was left with at least 60 percent of the huge issue sold on its books by the end of the week. Traders said that since more than \$2 billion worth of dollar, fixed-rate paper had hit the market in the past two weeks, similarly pricing on many issues has led to a build-up of dealers' inventories.

Aside from the Eurodollar market, dealers said that the great- See EURO BONDS, Page 9

Airline Battle Decided

Continental Wins Key Tokyo Route

Compiled by Our Staff From Dispatches
WASHINGTON — The Department of Transportation has awarded Continental Airlines what may be the most sought-after prize in the airline industry: the lucrative route between Seattle and Tokyo.

Three major U.S. airlines — Continental, United Airlines and American Airlines — have been battling for more than a year over the route, held by United for the past six years.

The Department of Transportation reluctantly awarded the route to Continental late last week, having been told by the Department of Justice not to appeal a court decision directing that outcome.

United Airlines said it would ask for reconsideration of the decision. Unless that last-ditch effort succeeds, Continental is the winner in a hard-fought contest for the door into the rapidly growing Pacific market. Flights to Tokyo include many business travelers who generally pay full fare, and Japan is the second largest market for overseas travel from the United States, second only to Britain.

"Anybody and everybody is interested in a West Coast gateway to Asia," said Edward Starkman, an industry analyst for PaineWebber Inc.

The route proceedings had become a major high-stakes sideshow in the airline industry. At one point the chairman and chief executives of the three airlines came to Washington to argue on behalf of their companies.

Northwest Airlines, which also offers Seattle-Tokyo flights, will provide the major competition for Continental. Japan Air Lines also flies the route.

An analyst questioned whether Continental could make money on the route, because it does not have the right to carry passengers beyond Tokyo to other Asian destinations. Both Northwest and Japan Air Lines have extensive connections in Asia.

"This will take a big investment at a time when Continental's cash See AIR, Page 12



Finance ministers of the Group of 24 developing countries opening their conference in Berlin.

Poorest Nations Avoid Debt Drama

Tame G-24 Statement Dismays Latin American Officials

By Carl Gewirtz
International Herald Tribune

BERLIN — The world's poorest nations issued a relatively tame statement on debt over the weekend that privately dismayed officials from the most heavily indebted Latin American states.

Tame or not, proposals on what further steps the international community can take to relieve some of the burden of the existing \$1.2 trillion stock of developing-country debt will be a feature of the joint annual meeting of the International Monetary Fund and the World Bank, which opens here this week.

The fund's policy-making Interim Committee met here Sunday with numerous proposals for relief up for discussion.

At the plenary sessions starting Tuesday, officials said, Japan intends to put forward a proposal designed to recycle a part of its annual trade surplus to debtor countries.

Complete details of the plan have not been revealed, but the Canadian finance minister, Michael Wilson, said that "to the extent that it's new money, consistent with IMF plans" for the debtor country, "the Japanese plan could be quite positive. They have the financial capacity to do it."

Mr. Wilson added that proposals for "general relief of debt, or for a substantial take-out by governments of debt held by banks, are solutions that under today's circumstances would not work, if they ever would." The most controversial element in the long communique from the Group of 24, which represents the 77 poorest countries, said ministers "insisted that debt service should be limited to a percentage of export earnings" that is "compatible with the development needs" and economic and social requirements of each country.

IMF Reports 'Resilience' in World Economy

By Reginald Dale
International Herald Tribune

BERLIN — The world economy has shown "remarkable resilience" since October's stock market collapse and is growing much faster than expected, the International Monetary Fund said Sunday in its latest World Economic Outlook.

But the report said progress had been uneven and "important uncertainties" persisted. In particular, fund officials said at a briefing on the report that they were puzzled over why poorer and heavily indebted developing nations had not shared fully in the prosperity of the richer countries.

And in the industrialized world, the report said, key questions remained over the possible re-emergence of inflation and the extent to which financial markets would be willing to finance the continuing external deficits of the United States at existing interest and exchange rates.

The seven major industrialized countries — the United States, Japan, West Germany, France, Britain, Italy and Canada — were now expected to grow by an inflation-adjusted 4.5 percent this year, against 3.9 percent for the industrialized countries as a whole, the report said.

The United States is expected to grow by 4 percent in 1988, the strongest rate since 1984, and Japan by more than 5.5 percent.

Some of the factors behind the recent spurt of growth, however, were temporary, the fund said, and expansion is likely to moderate during the period ahead, with growth in the industrialized countries declining to 2.8 percent next year.

Demand is likely to be dampened by the recent round of interest-rate increases in most of the industrialized countries, the report said.

Such a moderation, however, "would help to prolong the expansion since it would reduce the risk of overheating and thus help avoid

a significant tightening of policies at a later stage," it said. Growth in the developing countries is expected to strengthen only moderately, from 3.4 percent in 1987 to 4 percent next year, the report said.

For the poorer countries there would only be weak "spillover effects" from the buoyancy of growth in the industrialized countries and the strength of commodity prices and world trade.

Possible reasons for this puzzling phenomenon could be the weakness of oil and some major commodity prices; the upward trend in interest rates, which offset higher export receipts; and "policy slippages" in some countries, particularly in Latin America, which had difficulty in maintaining policy adjustments, an official of the fund said.

In the industrialized countries, the report said that a central feature of the surprisingly robust growth performance had been the strength of investment.

"This development is particularly welcome since it may contribute to alleviating capacity constraints," it said.

But the fund said there were still concerns about a possible pickup in inflation and the risks posed by continuing large economic imbalances — the U.S. external deficit and the Japanese and West German surpluses.

A scenario based on unchanged policies and exchange rates showed a reduction in the external imbalances of those three countries from 1987 to 1992, the report said, but the imbalances will still remain "quite large."

The U.S. current account deficit is expected to remain close to 3 percent of gross national product, the value of the nation's total output of goods and services, the report said.

"An imbalance of this magnitude might not be indefinitely sustainable and might give rise, at some point, to a disruptive market adjustment."

OPEC Officials Discuss Excess Oil Production

Compiled by Our Staff From Dispatches

MADRID — Key ministers from OPEC nations assembled in Madrid over the weekend for new talks on the excess output of oil that has created a glut and threatens to collapse prices.

The five-man pricing committee is empowered to summon a full emergency conference of the 13 nations that belong to the Organization of Petroleum Exporting Countries to consider members' violations of their assigned output quotas. But few industry analysts said such a full session was likely.

A call for an emergency meeting would raise market expectations for decisive action that, if dashed, might send prices down even more steeply.

The committee, which includes the oil ministers of Algeria, Saudi Arabia, Venezuela, Indonesia and Nigeria, as well as the OPEC secretary general, Subroto, began talks Saturday but took steps to avoid drawing public attention.

The ministers adjourned Sunday evening with plans to meet again Monday at an undisclosed time.

Weak oil prices have eased fitters lately about a return of inflation in the United States and other industrial nations. But bankers say further declines may do serious damage in debt-laden Third World oil exporters like Nigeria and Venezuela.

U.S. oil prices could tumble as low as \$12 a barrel by late November if the price committee fails to make headway in developing a credible plan to cut output, oil industry analysts said.

Sources close to OPEC said members of the committee wanted to meet quickly to avoid any action that might raise false hopes in the market of major decisions.

Traders said that after this meeting, the oil market's focus will turn to the Nov. 21 biannual meeting of all OPEC ministers.

"The market will not be impressed with anything short of an emergency meeting," said Jim Steel, an analyst at Refco Inc.

Toronto to Aid 6 Companies In Oil Project

United Press International

PORT McMURRAY, Alberta — The governments of Canada and the province of Alberta have announced an agreement with a consortium of six Canadian oil companies to begin development of a giant \$3.28 billion (4.1 billion Canadian dollar) oil sands project.

The project, which will not produce oil until 1996, is expected to eventually produce about 75,000 barrels a day of synthetic crude oil. The Alberta government said the deal will be profitable if oil prices exceed \$20 a barrel.

The two governments will provide \$680 million for the development, planned for northeastern Alberta. Members of the consortium include the OSLO consortium (Other Six Leases Operation), will put up more than \$2.4 billion.

OSLO includes Esso Canada Resources Ltd., Canadian Occidental Petroleum Ltd., Gulf Canada Resources Ltd., PetroCanada, PanCanadian Petroleum Ltd. and the Alberta Oil Sands Equity Co.

Efforts to get the two countries to agree on set levels will likely be hindered by their desire to raise money for reconstruction projects through oil sales.

The United Arab Emirates also has been ignoring its quota of 948,000 barrels a day. That nation's oil minister, Mansour bin Otaiba, was quoted last week as saying the Emirates "fixed and firm" quota was 1.5 million barrels a day.

Riwayo Lukman, the president of OPEC and the Nigerian oil minister, said in Singapore that OPEC production is running about 19 million to 19.5 million barrels a day.

In June, the cartel extended an accord to limit output to 15.06 million barrels a day until the end of the year. That ceiling excluded Iran, however.

The Monthly Oil Market Report of the International Energy Agency in Paris estimated that OPEC's crude production in August was 19 million barrels a day, which was the highest level of the year.

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Taunusanlage 10, D-6000 Frankfurt am Main 1, Telephone: (069) 2693-0, Telex: 414168; Kurfürstendamm 32, D-1000 Berlin 15, Telephone: (030) 8812096, Telex: 183353; Luxembourg Branch: 16, Boulevard Royal, L-2449 Luxembourg, Telephone: 4743 60, Telex: 3101; DGZ International S.A.: 16, Boulevard Royal, L-2449 Luxembourg, Telephone: 4624 71-1, Telex: 2841

Currency Rates

Table with columns for Currency, Par \$, and various exchange rates for major currencies like the British pound, Swiss franc, and Japanese yen.

Table with columns for Currency, Par \$, and forward rates for various currencies.

Table with columns for Currency, Par \$, and money market rates for various currencies.

Last Week's Markets

Table with columns for Stock Indexes, Money Rates, and other market indicators for the week ending Sept. 23.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30. Prices may vary according to market conditions and other factors.

Dollar Straights

Table listing bond prices for Australia, Canada, and Japan. Columns include Issuer, Con, Mat Price, Yld, and Bid. Includes entries for Australia (Aus Govt, Aus Corp), Canada (B.C. Hydro, Canada Govt), and Japan (Bk of Tokyo).

DM Straights

Table listing bond prices for various European countries. Columns include Issuer, Con, Mat Price, Yld, and Bid. Includes entries for Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Switzerland, and the UK.

Yen Straights

Table listing bond prices for various Asian countries. Columns include Issuer, Con, Mat Price, Yld, and Bid. Includes entries for Australia, Canada, and Japan.

United Kingdom

Table listing bond prices for the United Kingdom. Columns include Issuer, Con, Mat Price, Yld, and Bid. Includes entries for Barclays, BP, British Telecom, and U.K. Treasury.

United States

Table listing bond prices for the United States. Columns include Issuer, Con, Mat Price, Yld, and Bid. Includes entries for A.T. & T., American Airlines, and various corporate bonds.

Non-European

Table listing bond prices for non-European countries. Columns include Issuer, Con, Mat Price, Yld, and Bid. Includes entries for Air Canada, Amstar, and various international bonds.

DM Euro Zero Coupons

Table listing DM Euro Zero Coupon bond prices. Columns include Issuer, Con, Mat Price, Yld, and Bid. Includes entries for Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Switzerland, and the UK.

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Mutual Funds

Figures as of close of trading Friday, Sept. 23

Large table listing various mutual funds. Columns include Fund Name, Bid, and Ask. Includes entries like A.I.M. Fund, A.M. Fund, and various equity and bond funds.

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Euromarts At a Glance. Eurobond Yields. U.S. 10yr Int'l, 8 yrs & over. Public issues, 5 yrs & over. Other issues, 5 yrs & over. ECUs, 8 yrs & over. 5 to 7 yrs. 3 to 5 yrs. Source: Euromarkets.

DM Euro Zero Coupons. Table listing bond prices for DM Euro Zero Coupons. Columns include Issuer, Con, Mat Price, Yld, and Bid.

ECU Straights. Table listing bond prices for ECU Straights. Columns include Issuer, Con, Mat Price, Yld, and Bid.

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WestLB advertisement. Fixed Income and Equities Trading - for dealing prices call. Dusseldorf, London, Luxembourg, Hang Kong. One of the leading Marketmakers. WestLB advertisement.

New International Bond Issues

Compiled by Laurence Devillates

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

World Bank Sets Package Of Loans for Argentina

BERLIN — Argentina won a breakthrough in its bid for more money for its debt-laden economy with a \$1.25 billion World Bank package announced here on Sunday.

LATIN: Poorest Nations Avoid Tough Talk on Debt

(Continued from first finance page) The demand for debt relief that, in their view, must be accompanied by additional new lending.

DOLLAR: Group of 7 Aims for Stable Exchange Rate

(Continued from page 1) However, the mutual satisfaction among the seven on interest rate policy was not shared by the heavily indebted developing countries, whose loan charges rise about \$3.25 billion for every percentage-point increase in money-market rates.

Conference officials said that the United States and Japan would choose to extend the repayment period, Britain and West Germany to reduce interest rates, and France to reduce payments.

EUROBONDS: Uncertainty Poses Market Dilemma

(Continued from first finance page) The most successful Canadian dollar issue last week was a 75 million Canadian dollar (\$61.4 million) offering of 11 percent, five-year Eurobonds for Coca-Cola Bottling System of Canada that was launched by Union Bank of Switzerland (Securities) Ltd.

Bonds Slip as Market Turns Bearish

By Phillip H. Wiggins New York Times Service NEW YORK — Credit markets have adopted a more bearish outlook because of fears of excessive economic growth after the most recent U.S. report on durable goods orders and in anticipation of higher U.S. credit markets employment figures for September, analysts say.

U.K. Role In EMS Critiqued

BRUSSELS — The Italian trade minister has asserted that Britain has taken advantage of the European Monetary System without having to follow its rules.

National Bank of Hungary (Magyar Nemzeti Bank) Budapest

Advertisement for National Bank of Hungary listing bond issues: DM 400,000,000 6 1/2% Bonds of 1988/1995, DM 200,000,000 issued on March 30, 1988, DM 200,000,000 issued on September 20, 1988.

Gold Group Requests Probe

LONDON — The British mining giant Consolidated Gold Fields PLC said Sunday that it had asked the government to investigate dealings in its stock before news last week of a South African-backed takeover bid for it.

U.S. Consumer Rates table with columns: Item, Rate, Date.

Vertical text on the left margin, including 'You Strain' and 'Waste'.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Main table of NASDAQ National Market data, including columns for stock symbols, prices, and trading volumes.

Continuation of NASDAQ National Market data, listing various stock symbols and their corresponding market information.

Chicago Exchange Options section, featuring a large image of a Daewoo ship and detailed tables of option prices and trading data.

DAEWOO THAT'S WHO! Daewoo's only experience in high technology. The same precision manufacturing is employed in Daewoo's state-of-the-art work in construction, telecommunications, shipbuilding, electronics and heavy machinery.

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

Trading was slow last week in Amsterdam, where a new trading floor was officially inaugurated on Thursday.

The CBS index finished at 269.5, down slightly from 269.7 the previous Friday. Volume for the week was 6.1 billion guilders, down from about 7.15 billion guilders the previous week.

On Tuesday, shares rose after the government's budget memorandum gave a positive view of the national economy. The mood was also helped by the dollar's stability and declining interest rates, but low volume minimized gains.

Prices rose Thursday as institutional investors snapped up front-line shares. But the market was bearish Friday before a three-day holiday weekend.

Stocks gained during a week marked by generally strong demand from foreign investors.

The Commerzbank index finished the week at 1,567.4, up 24.8 points from the previous Friday. At midweek the indicator reached 1,576.4, its highest level this year.

Volume on the eight West German exchanges was 18.77 billion Deutsche marks, down from 19.35 billion DM the previous week.

Shares in banks were the week's star performers. Dresdner rose 10.50 DM to 287 DM. Commerzbank was up 9.20 DM to 246.50 DM, and Deutsche Bank ended 5 DM higher at 514.50 DM.

Shares fell slightly early in the week before publication of British money supply and bank lending figures for August.

Continuing inflationary fears and worries of another U.K. interest rate increase also depressed the market.

The announcement of better than expected money supply and bank lending figures for August lifted the market Tuesday. The stronger pound and a firm trend early on Wall Street also brightened sentiment.

Shares continued to rise last week, and the Comit index finished at 536.48 points, up from 519.05 the previous Friday.

Hong Kong

Share prices remained virtually unchanged during the week. The Hang Seng index shed 4.44 points to 2,454.38, and the Hong Kong index dropped 6.09 points to 1,616.59.

Volume was thin, averaging 315 million Hong Kong dollars a day, compared with a lethargic 349 million Hong Kong dollars the previous week.

The week began on a negative note. Volume hit a two-year low of 230 million Hong Kong dollars amid fears that the government was about to step up control of the exchange because of a continuing investigation into alleged malpractices.

Prices rose Thursday as institutional investors snapped up front-line shares. But the market was bearish Friday before a three-day holiday weekend.

Stock prices fluctuated last week in quiet trading.

The Financial Times industrial index rose 24.3 points to 1,446.8, and the 100-share index rose 25.7 from the previous Friday to 1,792.4.

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Paris

Lively trading resulted in good gains for some stocks. In the insurance sector, Generali rose 1.79 percent for the week, Toro was up 3.11 percent, and RAS gained 2.41 percent. In the banking sector, Comit was up 1.75 percent and Credito Italiano rose 1.41 percent.

Among industrial shares, Pirelli SpA jumped 2.71 percent. Olivetti gained 1.85 percent on reports of an impending restructuring, but rumors of possible charges against Carlo de Benedetti in connection with the Ambrosiano Bank scandal knocked CIR down by 0.40 percent.

Traders said the market should continue to rise, since there is abundant liquidity available. The French economy looks healthy, they noted, although the foreign trade situation is poor.

Tax cuts in the 1989 government budget are another favorable factor, they said.

Shares continued to slide in trading in the past week.

The Straits Times industrial index dropped 31.22 points to 1,033.71. Volume stood at about 70.3 million shares valued at 145.9 million Singapore dollars. Both volume and value were down 20 percent from the previous week.

On Tuesday, the index suffered its biggest single-day drop in more than three weeks, plunging 22.57 points to 1,039.95.

Tiger Balm, which made its debut on Tuesday fluctuating between 1.62 and 1.66 dollars, finished at the top of the most active list on volume of about 2.7 million units. It closed at 1.74 on Friday.

Share prices on the Tokyo Stock Exchange fell amid concerns about Emperor Hirohito's health, which was in serious condition all last week.

The Nikkei stock average, which gained 219.28 yen the previous week, fell 476.26 yen to 27,390.12 yen.

The Tokyo Stock Price Index also suffered a fall of 51.15 points to close at 2,099.12 Saturday, after an advance of 21.18 the previous week.

An average of 793.6 million shares a day were traded, down from 931.75 million shares the previous week.

The value of stocks traded also dropped to an average of 832.3 billion yen a day from 964.05 billion yen.

Many investors retreated to the sidelines before the start of the new business year for securities firms, and a series of meetings of world financial officials that started in West Berlin on Saturday.

Shares had a good week, with the Credit Suisse index finished at 477.1, up from 467.0 the previous Friday. The Swiss Bank Corp. indicator rose to 538.8, compared with 528.8 a week earlier.

Volume almost doubled from the previous week, as buying orders from abroad rose markedly, especially from Britain, the United States and West Germany. Investors bought bank stocks, chemicals and a few industrial shares.

Analysis said the trend toward higher prices should continue in the near term because of the dollar's good behavior — the U.S. currency has remained in a range of 1.55 to 1.60 Swiss francs.

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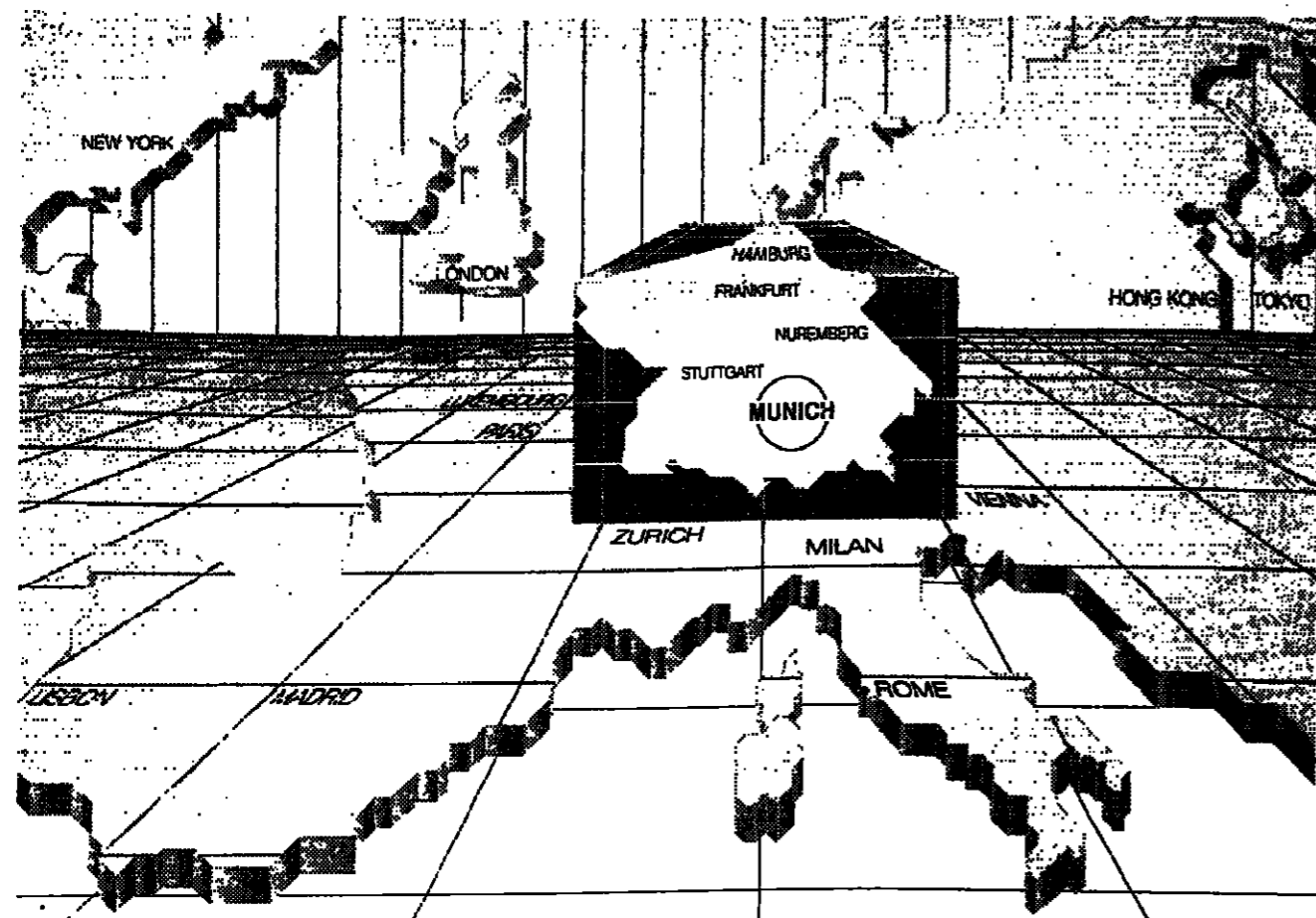
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HYPOLAND

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Wall Street Review

Table with columns: NYSE Most Actives, AMEX Most Actives, NYSE Sales, AMEX Sales, NYSE Diaries, AMEX Diaries. Includes stock symbols like AT&T, IBM, and sales figures.

AIR: Continental Gets Key Route

(Continued from first finance page) is marginal and profits are not sure," said David G. Sylvester, the airline analyst at Kidder, Peabody.

He noted that other carriers, including United and Northwest, were buying new long-range Boeing 747-400 planes to fly the routes. He said Continental would have a hard time buying such aircraft, which cost about \$100 million each.

Continental, which is owned by Texas Air Corp., has about \$160 million in cash, Mr. Sylvester said, and is showing losses on some routes. He said Continental might be forced to sell the Seattle route to raise cash.

But Bruce Hicks, a Continental spokesman, said the carrier intended to keep the route. He added that Continental had served the Pacific for many years and had been flying to Tokyo by way of Guam for 15 years.

The fight over the route began in 1985 when United acquired Pan American World Airways' Pacific routes. In doing so, United eliminated one of three U.S. airlines competing in the area: Pan Am,

Northwest and United, which had been flying the Seattle-Tokyo route since 1982.

United had initial problems with the Seattle-Pacific route and took some large losses on it. The routes are now profitable, and United is making a large commitment to expanding service to Asia.

The transportation department had conditioned United's acquisition on putting the Seattle-Tokyo route up for grabs, to see if the public interest might be better served by another airline flying the route. Both Continental and American sought to take over the route.

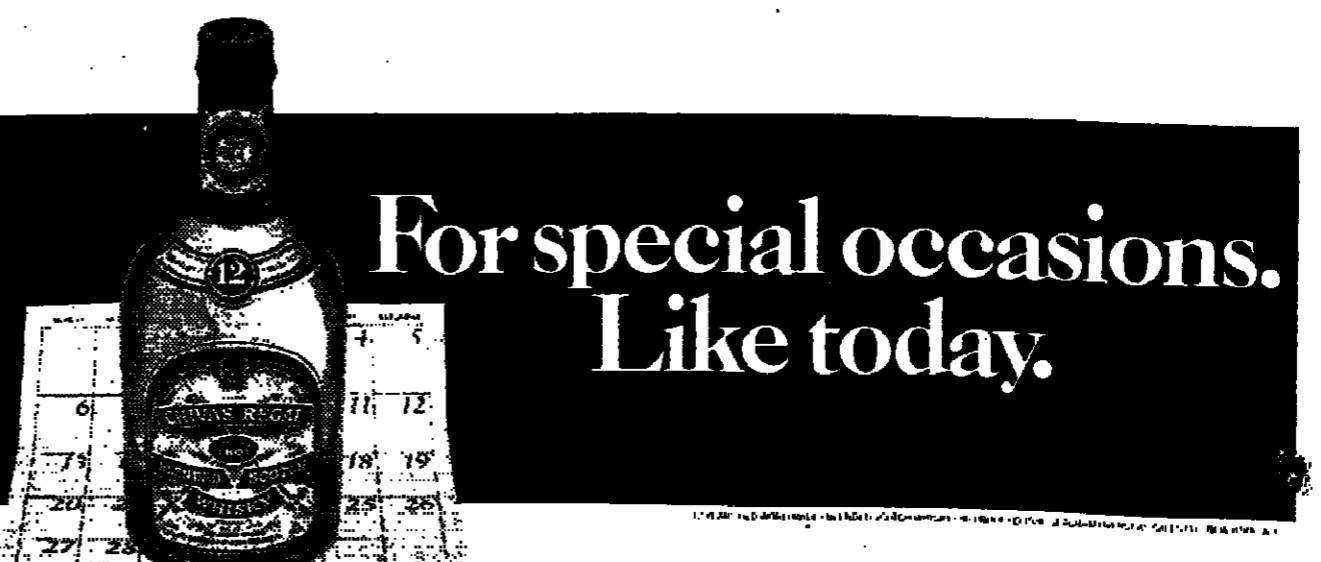
The Pacific routes have proved difficult for airlines, because customers are extremely demanding during the long flights and the ability to provide comfort and service is crucial.

A source in the Reagan administration said Friday that Transportation Secretary James H. Burnley 4th had wanted the Justice Department to challenge the appeals court ruling but that the Justice Department had refused.

(NYT, WP)

American Exchange Options

Large table of American Exchange Options with columns for Option & price, Calls, Puts, and various stock symbols like IBM, GE, and Ford.



World Economy: Growth Strategies

U.S. Outlook On Trade Gap Raises Hopes

By Hobart Rowen

WASHINGTON — As the key players gather for the annual joint meeting of the World Bank and the International Monetary Fund in West Berlin, global economic policy may be at a crossroads.

There is little doubt that the major nations — led by the United States, West Germany and Japan — have made significant strides since 1985 in reducing their horrendous external balances, exemplified by a reduction in the July trade deficit of the United States to its lowest level in three and a half years.

The new treasury secretary, Nicholas F. Brady, told a Senate confirmation hearing on Sept. 13 that the world would be amazed at the speed with which the U.S. trade deficit goes down, once the process was fully under way.

There already has been a significant decline in the deficit, in real terms, aided by sustained economic growth, lower rates of inflation and a better record of exchange rate stability — the result, at least in part, of the Group of Seven economic coordination process.

"We are going to be able to point to significant progress in Berlin," a senior administration official said. And a top IMF executive perhaps set the tone for the annual meetings when he said that global economic activity had so far exceeded expectations in 1988 that "we can't expect to have much better years in the future."

But despite Mr. Brady's optimistic assessment — possibly colored by the requirements of the U.S. electoral process — most observers in Washington expect that there will not be significant further reductions of the international imbalances unless there is not only a strengthening of the G-7 process, but a dramatic further reduction of the U.S. budget deficit.

At each of the last four Western economic summit meetings, the United States' trading partners pleaded with President Ronald Reagan to reduce the huge budget deficit as a way of diminishing extraordinary demand by American consumers. The recipe prescribed was slower growth for the United States.

Mr. Reagan readily acknowledged the need for reducing the U.S. deficit, demanding at the same time that the other powers, notably Japan and West Germany, stimulate their own growth domestically. This formula was endorsed by the IMF, the Organization for Economic Cooperation and Development and the Bank for International Settlements in Basle.

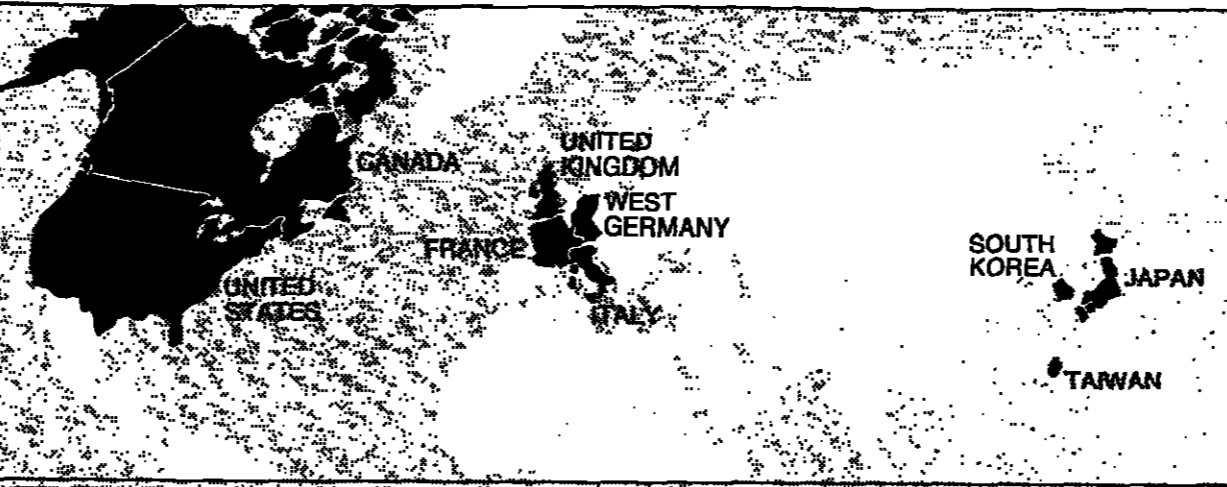
But in fact, progress was slow until the October 1987 crash. The U.S. Congress had little real incentive to slash spending, and West German authorities preferred a slower rate of growth to the dangers, as they saw it, of stimulating inflation. Japan, however, responding to a steadily higher rate of the yen, made good progress in stimulating its domestic economy.

But the crash concentrated the attention of all major policy makers. In West Germany and Japan, the governments carried

Continued on page 14

Growth in Major Industrialized Countries

OECD activity grew by 3 percent in 1987, and expansion is expected to continue with only a moderate loss of momentum this year and next. (Figures show percentage change from previous year)



Country	1985	1986	1987
Canada	4.3	4.0	3.9
United Kingdom	3.6	6.1	4.5
West Germany	2.0	2.2	1.7
South Korea	5.4	3.2	12.3
Japan	4.9	2.1	4.2
United States	3.0	3.5	2.9
France	1.7	5.8	2.1
Italy	2.9	6.6	3.1
Taiwan	5.1	-1.3	11.0

Asia Aims for More Self-Reliance

By Patrick L. Smith

TOKYO — As the United States and major European nations edge toward a period of slower economic growth next year, East Asia is once again bracing for the ripple effects that will undoubtedly extend throughout the region.

Southeast Asian economies, for instance, are likely to see expansion of 5 percent or so in 1989, compared with rates of 6 percent or higher this year; in South Korea, the econo-

my is generally forecast to grow 7 percent, compared with a torrid 12 percent in the current year.

This is hardly surprising: The United States still constitutes the region's largest single market, absorbing 35 percent to 40 percent of exports from most Asian economies, as it has for many years. European nations loom almost as large.

Nonetheless, the talk among economists, bankers, industrialists and government officials in Asia is no longer dominated by the undertones of frustration that come with heavy reliance on advanced markets over

which distant dependents can exert little control.

Rather, what has become increasingly apparent in the region this year are its growing self-reliance, its expanding role in the global economy and the sustainability of growth at impressive levels even if the pace of expansion is reduced elsewhere.

In large measure, these developments are the result of the transitional period that Japan entered when the yen began to appreciate markedly several years ago — its in-

Continued on page 14

Pendulum Swings To Optimism

It has become fashionable to suggest that the world may be entering a new era of growth.

By Reginald Dale

PARIS — In just under a year, prospects for world economic growth have brightened so appreciably that many international analysts have swung all the way from prophesying doom to warning of the dangers of complacency.

The International Monetary Fund, which holds its annual meeting in West Berlin this week, is now forecasting 3.9 percent growth in the industrialized countries this year, more than a full percentage point higher than the 2.8 percent it predicted as recently as April.

A similar upward revision is expected in the coming weeks from the Paris-based Organization for Economic Cooperation and Development, which put the figure at 3 percent in June.

Many private economists, some of whom were warning of global recession after last October's stock market collapse, now believe that the world economy, currently in its sixth year of expansion, will get away with a slowdown next year and then resume a steady upward path.

The prevailing mood among economic commentators has changed dramatically in a matter of a few months. Almost overnight, it has suddenly become fashionable to suggest that the world may again be entering a period of relatively uninterrupted economic growth, comparable to the "golden age" of the 1950s and 1960s, which was hitherto widely thought to be unattainable.

The long-held view that the world was condemned to slow, even diminishing growth rates for the foreseeable future is "out of date," said J. Paul Horne, Smith

Barney's Paris-based international economist.

And the surprising new optimism appears to have come about despite the absence of a coherent new growth strategy among the leading industrialized nations. In fact, some economists say, the improved outlook makes the adoption of such a strategy less necessary.

"With growth at a satisfactory level, there are no longer such discussions as there were a year or two ago about which country is meant to be doing what," said Brendan Brown, chief economist at London's County NatWest investment bank.

With Japan and West Germany expanding faster, Washington is no longer berating Bonn and Tokyo over their slow growth. "It is no longer a case of the United States versus Europe or Japan," Mr. Brown said.

The main outstanding argument is between Paris and Bonn, with the French government still insisting that West German growth is inadequate. But few observers expect the French plea to cut much ice in West Germany, where the economy expanded at its fastest rate since 1980 in the first half of this year.

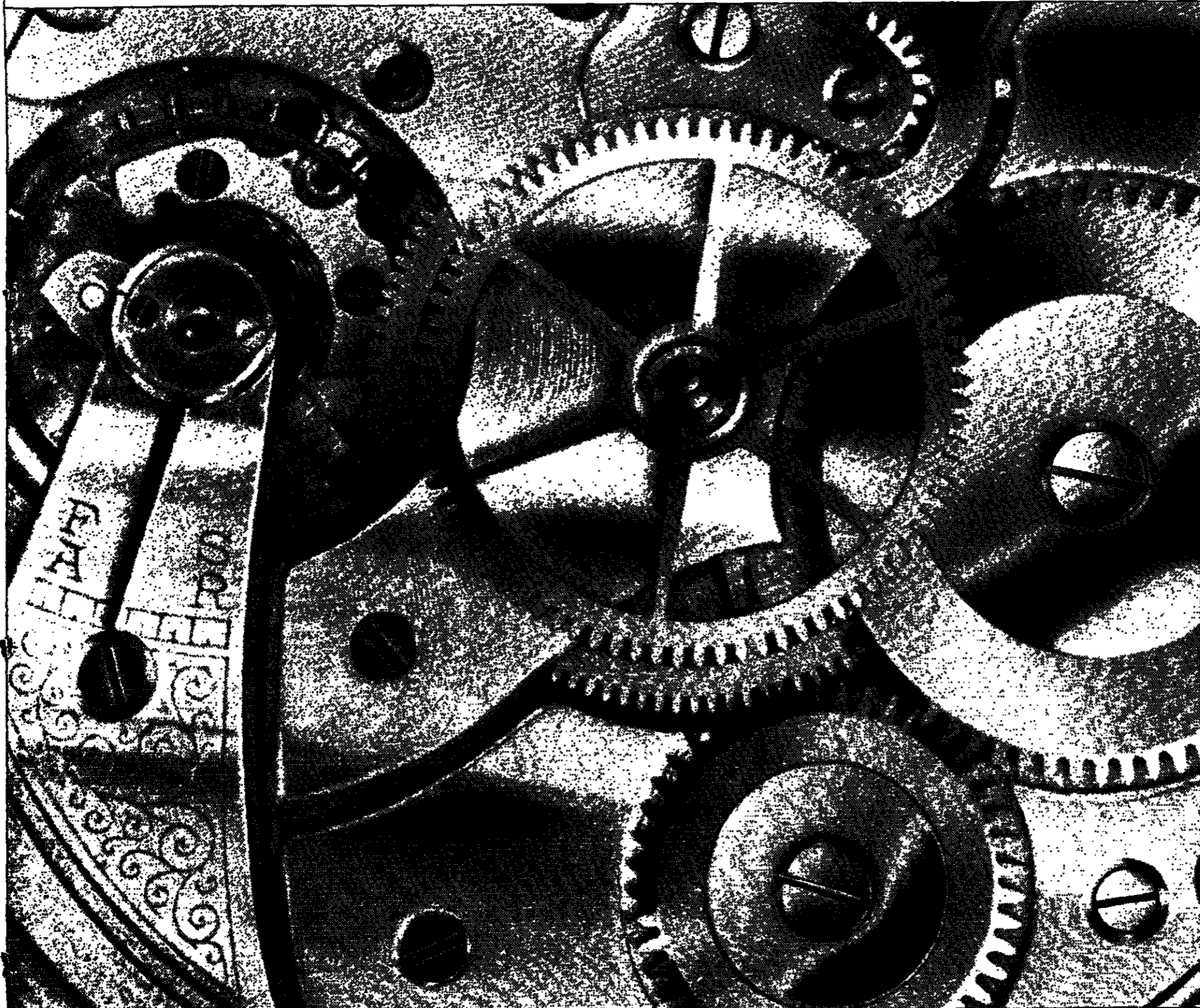
The major change, many economists say, is that governments, with the possible exception of West Germany, are less worried about inflation than they have been at any time in the 1980s.

"There is no longer a concerted objective of beating inflation at any cost, because most people think it has been beaten," said Richard O'Brien, chief economist at American Express Bank in London.

"The pendulum of economic opinion has swung away from the monetarist obsession of dealing with inflation as the

Continued on page 14

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Europe At a Glance

Keyboard Yields

1988	1989	1990
3.0	3.5	4.0
2.9	3.4	3.9
2.8	3.3	3.8
2.7	3.2	3.7
2.6	3.1	3.6
2.5	3.0	3.5
2.4	2.9	3.4
2.3	2.8	3.3
2.2	2.7	3.2
2.1	2.6	3.1
2.0	2.5	3.0
1.9	2.4	2.9
1.8	2.3	2.8
1.7	2.2	2.7
1.6	2.1	2.6
1.5	2.0	2.5
1.4	1.9	2.4
1.3	1.8	2.3
1.2	1.7	2.2
1.1	1.6	2.1
1.0	1.5	2.0
0.9	1.4	1.9
0.8	1.3	1.8
0.7	1.2	1.7
0.6	1.1	1.6
0.5	1.0	1.5
0.4	0.9	1.4
0.3	0.8	1.3
0.2	0.7	1.2
0.1	0.6	1.1
0.0	0.5	1.0
-0.1	0.4	0.9
-0.2	0.3	0.8
-0.3	0.2	0.7
-0.4	0.1	0.6
-0.5	0.0	0.5
-0.6	-0.1	0.4
-0.7	-0.2	0.3
-0.8	-0.3	0.2
-0.9	-0.4	0.1
-1.0	-0.5	0.0
-1.1	-0.6	-0.1
-1.2	-0.7	-0.2
-1.3	-0.8	-0.3
-1.4	-0.9	-0.4
-1.5	-1.0	-0.5
-1.6	-1.1	-0.6
-1.7	-1.2	-0.7
-1.8	-1.3	-0.8
-1.9	-1.4	-0.9
-2.0	-1.5	-1.0
-2.1	-1.6	-1.1
-2.2	-1.7	-1.2
-2.3	-1.8	-1.3
-2.4	-1.9	-1.4
-2.5	-2.0	-1.5
-2.6	-2.1	-1.6
-2.7	-2.2	-1.7
-2.8	-2.3	-1.8
-2.9	-2.4	-1.9
-3.0	-2.5	-2.0

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Deficit Outlook Raises Hopes

Continued from page 13

forward commitments that had been made at the Venice economic summit — four months before the crash — to boost their economies.

In the Group of Seven's statement of Dec. 22, 1987, finance ministers and central bankers renewed the pledge of the Louvre Accord exactly 10 months before that "the major external imbalances in the world economy must be corrected."

In the United States, the president and Congress were galvanized into a two-year budget accord that placated markets with at least some cosmetic savings, leaving more specific legislation until 1989 after the election. With the help of an expanding economy stimulated by tax reform, the annual budget deficit was shaved by about \$70 billion — from \$220 billion last year to \$150 billion this year.

But an extraordinary consensus across party lines is building in the United States that the next president must carry this process much further.

Shafiqul Islam, a Council on Foreign Relations economist, said, "Over the last four years, Americans have been spending 3 percent more than they have been producing. . . This persistent over-spending essentially reflects overconsumption. In other words, Americans have boosted the growth in their living standards in the 1980s with borrowed money."

But that kind of issue is impossible to debate intelligently during a national election campaign. Neither George Bush nor Michael S. Dukakis has made a specific commitment on how he would reduce the budget deficit, even though both acknowledge, in almost identical words, that the deficit is "the

most important economic issue" they would face if elected.

"The fiscal deficit problem of the United States is unresolved, and action awaits a new administration," noted Horst Schulmann, managing director of the Institute of International Finance Inc. in Washington.

In an interview with Washington Post reporters and editors, Mr. Bush said he would call an immediate summit meeting with Congress to work out a specific budget-balancing program over a four- to five-year period. Mr. Dukakis said the same thing.

Both recognized, in explicit terms, that their credibility with international financial markets would depend largely on the speed and precision with which they approach this problem.

There is one significant difference: Mr. Bush has forewarned, in language even stronger than Mr. Reagan's, any reliance on tax increases. He has called for a "flexible freeze" on spending, counting on an average of 2.5 percent real growth for the next five years, and a 2-point drop in interest rates to bring about a budget balance by 1993.

Mr. Dukakis, while stressing — like Mr. Bush — that the first priority will go to reducing expenditures, concedes that there may, "as a last resort" have to be a tax increase.

As Rimmer de Vries, a Morgan Guaranty Trust Co. economist, has observed, the Bush flexible freeze, without a tax increase, would require annual spending cuts, in real terms, of about 1.5 percent, "a spending stringency that strains credulity."

"It, therefore, must be recognized that flexibility is needed on both taxes and spending if there is to be any chance of developing a prudent and credible budget strate-

gy and policy package for the next four years," Mr. de Vries said.

In its first few months, a new administration may also have to make decisions on Third World debt strategy. Three years ago at the IMF meeting in Seoul, former Treasury Secretary James A. Baker 3d put forward the Baker Plan as a new strategy to solve the crisis.

Not mere austerity, but the need for economic growth, was Mr. Baker's prescription for getting the Third World, especially the big Latin debtors, out of their morass. The way to do it, he said, was by economic reforms among the debtors, in return for which they would get more loans from the World Bank, the IMF and the commercial banks.

Mr. Baker's initiative was important because it recognized that an overly rigid IMF approach was not working and might well lead to social chaos. But there is increasing recognition, even among those who have opposed debt relief, that some form of organized debt reduction — backed by government money — is likely to be necessary to alleviate the grim Third World conditions, especially in Latin America. On a lesser scale, the major powers are now committed to writing down or stretching out the official debt load in Africa.

As a blue-ribbon committee of bankers and financiers led by a former New York Federal Reserve Bank president, Anthony Solomon, said, "six years into the debt crisis, the goal of 'normalizing' relations between debtor countries and the banks has yet to be reached. In the eyes of financial markets, nearly all the countries that have rescheduled their debt since 1982 remain uncreditworthy."

The Solomon group faulted the IMF and the World Bank for resisting "the trend toward flexibility



Nicholas F. Brady

and the search for innovative solutions to the debt problem."

In fact, both the IMF and the World Bank have been seeking ways of going beyond the Baker Plan, but have been inhibited by Mr. Baker's resistance — especially during this election year — that would add to taxpayers' liabilities.

But there is a growing interest, especially at the IMF, in a Japanese initiative first aired at the Toronto summit meeting. Even though details are sketchy, Japan appears willing to invest its own capital, through the IMF, to support an exchange of old commercial bank loans for long-term bonds.

So far, the U.S. Treasury has resisted any debt relief approach that involves — as Mr. Baker liked to put it — "taxpayer money." It also has resisted the notion floated by the Institute for International Economics of "exit bonds" that would be guaranteed by the World Bank.

ROBERT ROWEN is a senior writer and columnist for The Washington Post, specializing in international economic matters.

Optimism Becomes the Keynote

Continued from page 13

first priority, which was the outcome of the two oil shocks of the 1970s," said Christopher Johnson, chief economic adviser to Britain's Lloyds Bank.

Governments obviously still do not want inflation to get out of hand. And so, said Mr. Horne, it is a "happy coincidence" that the recent strength of the dollar has enabled other central banks to raise interest rates, diminishing inflationary expectations, without having to worry about the impact on their currencies.

At the same time, Mr. Horne said, the foundations of further growth are being laid by high levels of capital investment, particularly in Western Europe, where business confidence is at an all-time high.

Exports of all the major countries have been significantly stronger than expected in recent months, demand has continued to grow throughout the industrialized world, and world trade could grow by a surprisingly high 7 to 8 percent this year, he added.

Against this background, the IMF is now forecasting 4 percent growth this year in the United States, the highest since the peak year of 1984, following a strong rise of 3.4 percent in 1987. And many economists now believe that while U.S. growth will slow down next year, the once-feared recession will be avoided.

After a phenomenal start in the first quarter of this year, Japan's growth contracted in the second quarter. But it should reach more than 5.5 percent this year, according to the IMF's figures, slowing to a still rapid 4.2 percent in 1989.

The biggest surprise, however, has been the unexpectedly strong performance of Western Europe, long regarded as the laggard among the industrialized economies, where growth prospects have sharply improved in both France and West Germany in recent months. Private forecasters expect overall European growth of a healthy 3 percent this year. Even hitherto stolid West Germany could reach the 3 percent mark, much higher than previously expected, they say. France has just predicted that its growth should top 3 percent this year and decline to a still respectable 2.6 per-

cent in 1989, also exceeding earlier expectations.

In a reversal of the notoriously unsuccessful attempt to make West Germany the "locomotive" of world economic growth in the late 1970s, other faster-growing areas of Western Europe, such as Britain, Spain and Scandinavia, are now pulling along West Germany, some economists say. Britain, though, is widely believed to be growing too fast and risking trouble as the brakes are applied.

Elsewhere in the world, the picture is more patchy. While most of East Asia continues to grow strongly, Latin America remains largely stranded in what has been termed its "lost decade," the 1980s. But for the developing countries as a whole, the IMF forecast of 3.5 percent growth this year, rising to 4 percent

take early and decisive action to reduce the U.S. budget deficit.

And in Europe, there are continuing fears that even the current higher rates of growth will not make much impact on the massive unemployment that most countries have accumulated in recent years.

Analysts like Mr. Horne also fear that rapid growth will soon bring the United States and most major countries up against their capacity limits, leading to higher wage demands and increasing inflationary pressures over the next six to 12 months. There could also be "a nasty surprise" from oil prices, he warns.

Despite the uncertainties, however, many private economists now tend to share the newly fashionable rosy view that the world economy has emerged from the shocks and gyrations of the 1970s and may be entering a period of rapid and sustainable growth.

"The only international shock people still talk about, at some future distant date, is an oil shock some time in the 1990s," said Mr. Johnson of Lloyds Bank.

"The world economy keeps growing," said Mr. O'Brien. "There are gloomsters who believe we're on the edge of a depression. But if you don't buy that, the prospect is for a modest slowdown followed by an upturn."

Provided nothing dramatic interrupts that process, Mr. O'Brien and other economists say, the world could resume its "easy ride," of the 1950s and 1960s.

"There is a great deal of supply side stimulus in the pipeline, particularly in Western Europe," said Mr. Johnson. He pointed to plans for the single European market after 1992, the abolition of subsidies and reduced state intervention in public purchasing.

It will not be quite the same as in the immediate post-World War II decades. "We can't go on shifting resources out of agriculture at the same rate as in the 1950s and 1960s," said Mr. Johnson.

The growth rate will thus not be quite so fast as it was in the "golden age." But, Mr. Johnson said, "people will now happily settle for 3.5 to 4 percent annual growth in most countries, against the 5 to 6 percent of the 1960s."

REGINALD DALE is the International Herald Tribune's economic correspondent.

The world could resume its 'easy ride.'

next year, would be considered a relatively good showing by most Western economists.

Nevertheless, the fund says in its annual report, "there is no room for complacency." It points to the continuing need to restore growth, and credit-worthiness, in the developing world, and to strengthen the process of correcting the large imbalances that remain between the industrial countries.

Private economists warn that Western Europe may still not be growing fast enough, and the United States too fast, to reduce the American trade deficit as quickly as the international financial markets are likely to demand.

In the United States, all predictions have to be qualified by uncertainty over the policies of the new administration due to take office in January. There is no guarantee that the recent stability of the dollar will continue next year, particularly if the new administration does not

Asia Aims for Self-Reliance

Continued from page 13

creased ability to absorb imports, the shift of its labor-intensive industries offshore and its larger role as a source of investment capital.

But apparently permanent structural change has not been limited to Japan. Throughout the region, dynamic new relationships are being forged among Japan, the newly industrialized countries, or NICs — South Korea, Taiwan, Hong Kong and Singapore — and the nations of Southeast Asia. "The openness of the U.S. econ-

omy, especially to manufactured goods, has played a major role in the export success of the NICs and other nations in Asia," said Stephen M. Taran, a senior analyst for Asia at Moody's Investor Service. "But with the structural transformation of Japan, the importance of the Japanese economy for the rest of Asia is visibly larger than it ever has been."

Signs of the phenomenon are abundant: Exports from the NICs to Japan are currently growing at a rate of almost 45 percent, far surpassing growth in sales to the United States. Exports to Japan from

Southeast Asian nations, in turn, are also beginning to increase rapidly, although at a somewhat slower pace.

Equally, trends apparent in Japan only a few years ago have spread quickly to the NICs, further enhancing the region's tendency toward "horizontal specialization, as a division of labor is more politically called."

In the first eight months of this year, according to South Korean officials, no fewer than 23 foreign missions have traveled to Seoul in search of investment capital and technology; most were from Southeast Asia. In Thailand last year, Taiwan replaced the United States as the second-largest source of investment capital behind Japan.

The consequences of such developments are wide-ranging. But among the most significant is the boost currently being given to the industrialization process in Southeast Asia.

Japanese investment in the NICs, chiefly South Korea and Taiwan, surged dramatically in the first two years following the start of the yen's appreciation. But Japanese manufacturers have now shifted attention primarily toward Southeast Asia, chiefly because wage gains and appreciating currencies in the NICs have reduced their advantages as export platforms.

Thailand has been the outstanding beneficiary in Southeast Asia. Indeed, Japanese investment, which went from just over \$50 million annually in 1986 to almost \$400 million this year, has been a key factor in advancing Thailand toward its graduation into "fifth NIC" status.

The potential benefits of an increased Japanese presence have encouraged a number of countries to recognize that long-standing regulations governing foreign investment have discouraged capital inflows and make adjustments accordingly.

In turn, the relocation of Japanese industrial facilities in Southeast Asia is likely to open the Japanese market further to Southeast Asian manufactured goods, especially in cases where a Japanese brand name is involved.

As for the NICs, it has become increasingly apparent in recent months that they can no longer be excluded from efforts by the United States and Japan to correct the former's trade imbalance across the Pacific. But while their merchandise surpluses with the United States have grown dramatically since 1986 — reflecting the gains they made after the yen began to climb — economists are increasingly optimistic that the United States will find these surpluses less intractable than Japan's has proven to be. For some analysts, the current strength of the East Asian economies is not yet sufficiently established to withstand a recession of significant proportions in the United States. Particularly if it is accompanied by a downturn in demand in Japan, a U.S. recession would again reveal the relative immaturity of most East Asian economies.

"Structural transformation is important and will be increasingly understood to be so," said Marc Faber, managing director of Dresdner Bank's London Ltd. in Hong Kong. "But when recession comes, these nations will resemble high-performing stocks in [a] market that turns bearish — they will suddenly be the weakest."

PATRICK L. SMITH is a Tokyo-based correspondent for the International Herald Tribune.

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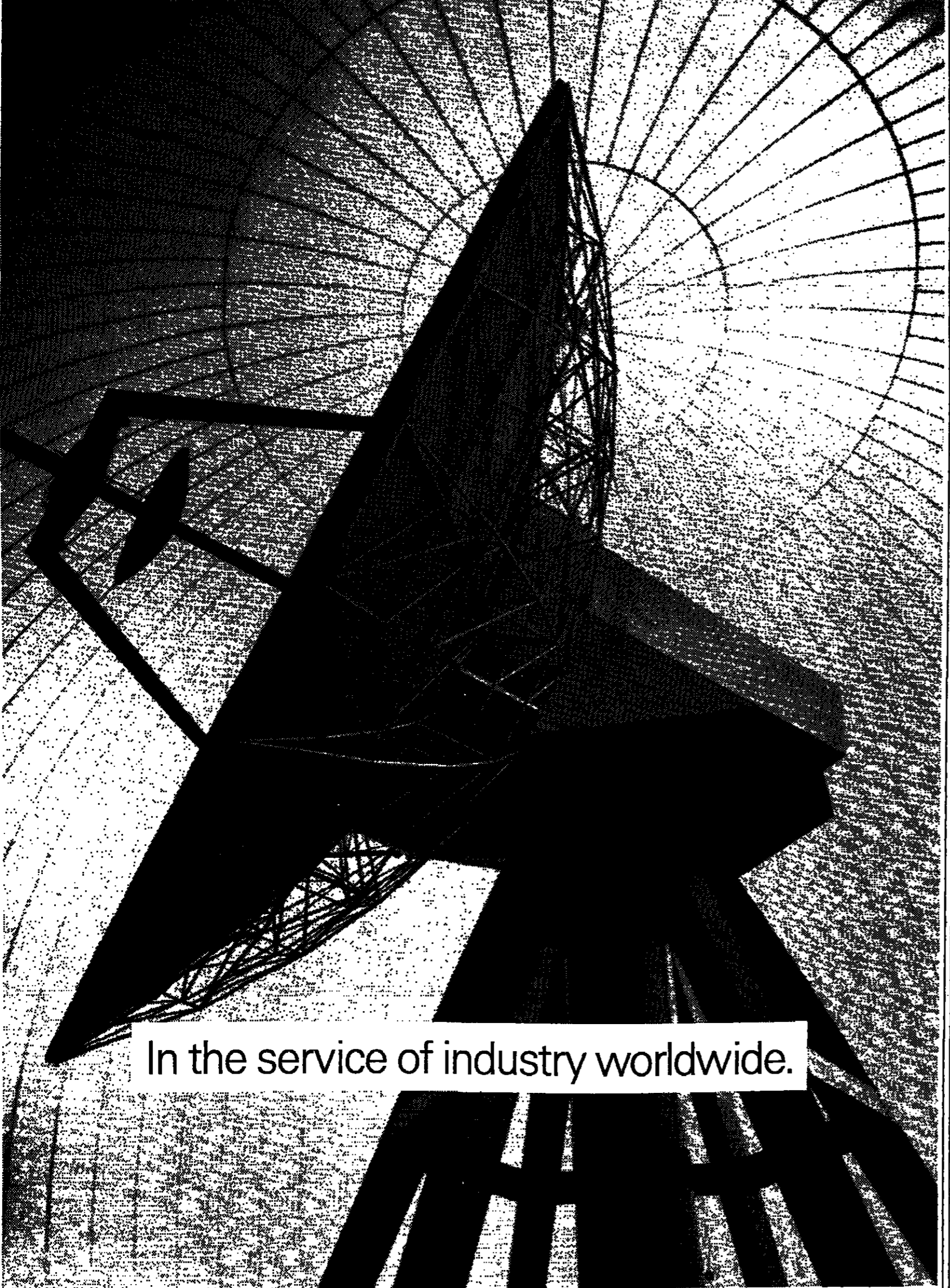


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Curbs on U.K. Demand ■ German Expansion

U.K. Interest Rate Maneuvers Dampen Exuberant Demand

By Marybeth Nibley

LONDON — Like a host trying to restrain the merry-making of spirited revelers, Britain's Chancellor of the Exchequer undertook an unpopular task this past summer. British economic growth had gotten out of hand and Nigel Lawson sought to bring it under control.

Too much of a good thing was threatening to wreck a good time. In the case of the economy, the good thing was exuberant demand and the bad thing was inflation.

To curb demand, the government of Prime Minister Margaret Thatcher steadily forced up interest rates so that by the end of August, banks' base rates were at 12 percent, or about 4.5 percentage points higher than in the spring.

The government's rate maneuvers provoked criticism from many quarters. Some skeptics doubted that rate increases alone could stifle demand sufficiently and advocated auxiliary measures, such as controls on consumer borrowing or higher taxes.

Others contended that the sharp increase in interest rates was overdue and would interfere with sterling's value. This could cause additional interest rate adjustments in the name of stabilizing the British currency, the argument went.

As debate raged about what should be done and accusations of economic mismanagement were hurled at Mr. Lawson, a question was forming: Was the party over?

The answer came back as a decisive "no" from private economists. But the wishful view of many observers seemed to be that things might have been better if the situation had been handled differently.

Several reports issued in August attempted to put the British economy in perspective. The Organization for Economic Cooperation and Development, the Paris-based group of 24 industrialized countries, praised Britain's economic record and said "that the 1980s will stand out as a decade of impressive improvement in economic performance, reversing a long-term trend of decline relative to other member countries."

But the OECD also said inflationary tendencies should be monitored closely and that the "recent high rate of domestic demand growth is not sustainable." The government should forgo further tax cuts in the next budget, due in March 1989, the OECD recommended.

Britain's National Institute of Economic and Social Research predicted that growth would slow substantially next year but that the economy would not slump into a recession. Inflation-adjusted gross domestic product would increase 2.4 percent in 1989 after an estimated 3.9 percent rise this year, it said.

Also cautious about the consequences of rapid consumer spending, the institute called for a tightening in fiscal policy to supplement action already taken on the monetary policy front. Interest rates should not go up any more, it said.

In taking a more restrictive fiscal stance, the government should raise the employee contribution to social security and reduce the amount of tax cuts planned for 1989, it said.

Meanwhile, the Confederation of British Industry released a survey of about 1,500 manufacturing firms that showed that output was expected to remain strong through the end of 1988 but that the strength of the pound was impeding export orders.

Worries about the trade performance grew after the government reported a record deficit in the British balance of payments on the current account for July of £2.15 billion (\$3.63 billion). The current account is a comprehensive measure of foreign trade covering goods and services as well as some financial transactions.

Bill Martin, chief economist for Britain at stockbrokers Phillips & Drew, has been one of the more outspoken critics of the government's recent handling of the economy. The movement of the trade balance into the red and the rate at which the deficit has piled up has very serious implications, he says.

Whether the government has been unskillful in administering economy policy is open for debate but there is no doubt that it has been unlucky.

One of the misfortunes stemmed from not knowing how much stimulation the economy would need to compensate for last October's market crash. A generous 1988 budget and interest rate reductions proved too rich for the economy to digest without consumer expenditures becoming dangerously bloated.

"To conclude now that the budget was wrong is a harsh judgment to make. At the time the budget looked like it was correct," said John Sheppard, an economist at Warburg Securities. "But the judgment was looking back on it — that policy was too loose."

"There weren't many people who expected the economy to be growing as fast as it did," he added.

Many economists have urged the government to supplement the interest rate increases by clamping down on credit.

David Walton, an international economist at Goldman Sachs, said the controls should be implemented temporarily until the contractionary effects of higher interest rates begin being felt.

"The thing about credit controls is that they are not effective over the long term," Mr. Walton said, adding that "people find ways around them."

"But temporarily they are a shock to an economy," he said.

Examples of the credit curbs mentioned by private economists were a surcharge on new household loans, an increase in deposits required on purchases financed by credit and a lump sum tax related to the size of new loans.

Discussion of the possible controls was largely academic as the government had made known its position that fiscal policy methods would not be used in protecting the economic expansion.

By ruling out fiscal tools, the government created extra problems for itself, according to Professor David Currie, director of the Center for Economic Forecasting at the London Business School.

Because it takes time for the impact of higher rates to change the behavior of consumers accustomed to spending freely, there is a danger that financial markets would tire of waiting and demand quicker results. If this caused the government to drive rates still higher, it would amount to monetary overkill, possibly endangering the durability of the economic expansion, Mr. Currie contended.

"Given the lag, it's a little like steering an oil tanker. You may have to look a mile ahead," he said. "Lawson may be forced to act."

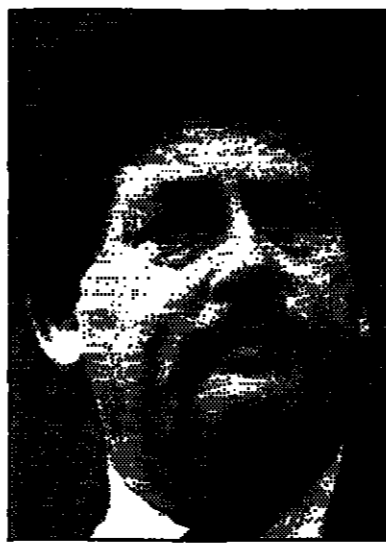
But the chancellor probably would rather not, preferring to wait and see what happens.

David Gilchrist, a general manager of the Halifax Building Society, said, "Although

Skeptics doubted that rate increases alone could stifle demand.

the use of the interest rate tool is criticized, it is very powerful."

Part of the power is based on the fact that virtually all mortgages in Britain are variable rate loans. So a rise in mortgage rates not only makes it more expensive to buy a home but also takes money out of the pockets of existing homeowners, noted Mr. Gilchrist.



Nigel Lawson

Bonn's Domestic Spurt

By Edward Roby

FRANKFURT — When West Germany's economic strategists meet their foreign colleagues in West Berlin, they will not have to put up with the usual round of complaints about their country's sluggish economic growth.

With impeccable timing, the Economics Ministry announced in mid-September that the economy expanded at a rate of around 3.9 percent in the first half of 1988, its strongest performance since 1980.

Better still, the driving force behind this impressive growth spurt turns out to be not so much the country's notorious export machine as a real 4.6 percent increase in domestic demand compared with the year-earlier period.

The Bundesbank president, Karl Otto Pöhl, who is embroiled in a dispute with his French colleagues over his cautious monetary policy, called the economy's performance "extraordinarily positive" and said he was "very pleasantly surprised."

Mr. Pöhl said criticism of West German economic and monetary stewardship was "entirely off target" this year and expressed confidence that the West German position would prevail in discussions during the World Bank and International Monetary Fund meetings.

West Germany's growth card undercuts U.S. arguments that Bonn and Frankfurt are not doing their share to redress the global trade imbalance.

"The figures in Europe are not bad. We cannot complain," conceded a Federal Reserve Board member, Robert Heller, in a West German radio interview this month.

At its current rate of expansion, the West German economy would match the real growth rate expected for the United States this year and far outdistance most European neighbors. The foreign business press, which has been filled lately with gloomy analyses of high German unemployment, weak business investment and fading dynamism in the land of the Wirtschaftswunder economic miracle, would need a new reference point.

West German officials say they are surprised by the sudden growth spurt, but many economists are not. They chalk it up largely to the effect of a 14 billion Deutsche mark (\$7.46 billion at current rates) tax cut that took effect at the start of this year, triggering a powerful surge of private consumption.

With the tax cut, which is just a foretaste of a larger reduction slated for 1990, Finance Minister Gerhard Stoltenberg partly redeemed a pledge West Germany made to the Group of Seven and borrowed a play from the repertoire of President Ronald Reagan and Prime Minister Margaret Thatcher.

The results, coming after the October 1987 market crash and before the U.S. presidential election, should be more than welcome. They could be short-lived because Mr. Stoltenberg, who hopes to curb deficit spending, plans to impose an interest withholding tax and levies on alcohol, tobacco and fuel consumption. The move is expected to double the one percent inflation rate and dampen domestic consumption next year.

Quick fixes are not the German style. Steady, sustainable, non-inflationary growth is the economic policy goal of the government be-

bewildered by recent suggestions in the press that Mrs. Thatcher's economic reforms in Britain might be a useful model.

"That's something new. Ten years ago that would have been unthinkable," said Norbert Walter, chief economist at Deutsche Bank AG. "England has been trying in the last few years to catch up, but it won't match the level of West Germany."

The fact that more than 2.2 million West Germans are without jobs leaves no justification for complacency. But the West Germans remain wary of arguments that their nearly 9 percent unemployment rate calls for special efforts to stimulate the economy.

"This alternative often doesn't work. Much of the time you get both inflation and weaker growth," said Siegfried C. Cassier, a general manager of Industriekreditbank AG-Deutsche Industriebank in Düsseldorf, which fi-

In the first half of 1988, the economy grew 3.9 percent.

cause the overriding concern of the average German is financial security and not a fast mark. The German experience, going back to the hyperinflation of the 1920s that accelerated the collapse of a weak democracy, taught the value of a stable currency anchored in conservative monetary and fiscal policy.

The postwar economic miracle, admired abroad as a remarkable flowering of growth and prosperity, was mainly a struggle for security and is often attributed in West Germany to Ludwig Erhard's 1948 currency reform.

Since then, the obsession with security has led the country's private households to squirrel away more than 2.4 trillion marks in banked savings, government bonds, insurance policies and other liquid assets. These assets have tripled since 1957. With a current savings ratio based on disposable income of around 13.4 percent, the West Germans are worlds away from the Americans, who save only 4 percent.

Clearly, this is not a constituency that would sit still for inflationary stimulants that may or may not add a point to gross national product. The stability of the mark is paramount.

The Germans also seem a bit

ances many of the country's family-owned businesses.

He estimated that the German jobless rate might be a couple of points lower if it were computed the way some other countries do. Mr. Cassier also pointed out that the German unemployment is a structural problem that growth alone will not cure.

Part of the problem lies in the fact that growth in services exceeds that of GNP in the industrial countries but West Germany lags behind the United States, for example, in the shift to a service-oriented economy, said Dieter Spethmann, chairman of Thyssen AG.

Mr. Spethmann said West Germany will not be able to tap the full growth potential in services until the government removes the regulations that are now blocking it. For that to happen, he said, people's attitudes will have to change because there are powerful political constituencies obstructing deregulation.

EDWARD ROBY is the English-language editor of Vereinigte Wirtschaftsanalyse GmbH, a West German economics agency based in Frankfurt.

European At a Glance

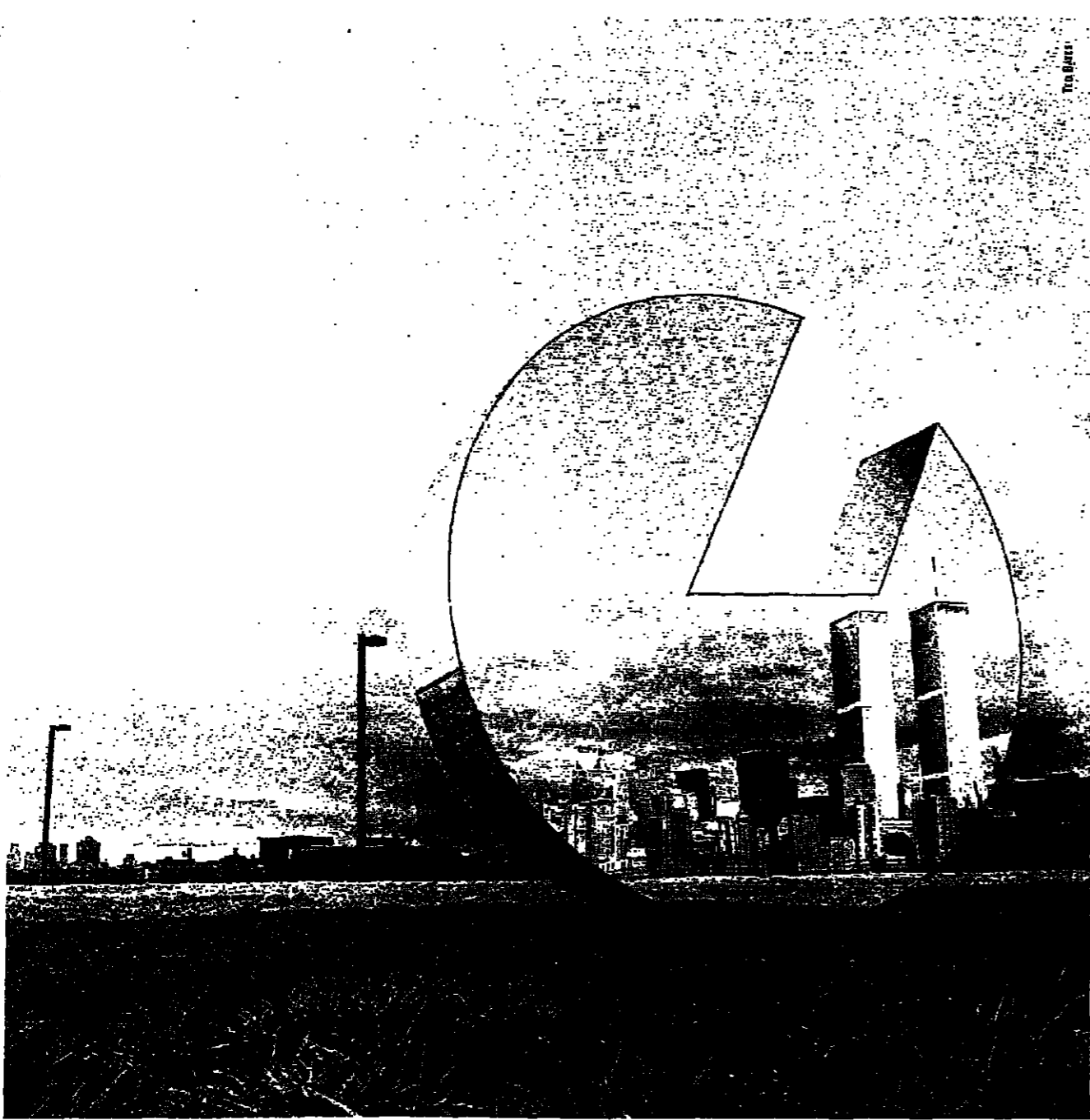
Stock market news and financial data for various European countries.

ies Trading

Westf

Advertisement for a conference titled 'Money and debt in the 1990s' with handwritten notes and a signature: 'John Phillip Brecher von Reichenau'.

Advertisement for a 1992 conference titled 'A SINGLE MINDED VISION: MARKETING AND MEDIA ACROSS ONE MARKET' sponsored by the International Herald Tribune and Leo Burnett.



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Fast-Paced Iberian Growth

In Spain, a Risk of Overheating

By William Chislett

MADRID — Two years after they joined the European Community, Spain and Portugal have the fastest-growing economies in the Community and growth is set to continue apace. The dynamic impact of membership is shifting the nucleus of growth from northern to southern Europe.

Both countries need to continue growth to narrow the development gap between the Iberian peninsula and the rest of the EC and to reduce high unemployment. After growing 5.2 percent in 1987, the Spanish economy is forecast to expand 4.8 percent this year. The Portuguese economy grew 4.7 percent last year and it is projected to increase by about 4 percent in 1988. The growth is more than double the 2.3 percent forecast for the EC as a whole.

Both economies are sucking in imports of capital goods at phenomenal rates, underscoring the tremendous investment under way to modernize companies and improve productivity. Foreign and domestic investment is the strongest component of domestic demand and its growth in both countries is likely to remain well above the European average.

THE SPANISH economy is performing so well that it runs the risk of overheating, according to Pedro Pérez, the secretary of state for the economy. After a 10-year economic crisis that ended in 1985, and a painful adjustment process, Mr. Pérez said the Socialist government would not let events knock it off its course of consolidating sustained noninflationary growth, creating new jobs — about one million since 1986 — and modernizing the economy.

The key weapons in its strategy are to hold down inflation, which is currently running above the 3 percent target, with a tighter monetary policy, and reduce the budget deficit which will be down to about 3 percent of gross domestic product this year.

The government, however, remains at loggerheads with the main Socialist UGT trade union, which regards the orthodox policies as a betrayal of socialism.

The UGT is pushing for higher wage demands, benefits for more of the three million unemployed, a figure that is nearer two million when the thriving black economy is taken into account, and a less flexible employment policy. Companies are hiring increasing numbers of temporary workers.



Tourists visiting the Alhambra in Granada. Tourism is one of the principal motors of economic growth in Spain.

Prospects for the present generation are grim, with youth unemployment at 41 percent compared with an average of 15 percent for the 12 largest economies in Organization for Economic Cooperation and Development countries. This is leading to serious crime problems.

While the government's strategy centers on job creation, the union's focus is on the unemployed. The two sides are far apart. With limited funds, the government believes it has reason on its side.

To reduce unemployment, the Spanish economy must continue to grow at one to 1.5 percentage points higher than other EC countries, said Mr. Pérez. The ability to maintain such growth is limited, however, by the overall balance of payments situation. After running

a surplus for several years, the current account will be in deficit this year to the tune of \$2.6 billion. This is largely because of the enormous trade deficit that will approach \$20 billion this year, although exports are performing well.

Financing the current account deficit is not a problem because of the tourism money-spinner and large foreign capital inflows. Spain is in the enviable position of being a creditor nation, with international reserves of \$38.7 billion in September exceeding total foreign debt. The reserves are a substantial cushion.

Services, particularly tourism, are the main dynamo of economic growth and this is likely to be even more so in the future. The services sector accounted for 57 percent of GDP in 1987, up from 50 percent in 1975.

The flash point comes when the deficit is too large to be offset by tourism — there were more than 51 million visitors this year — and foreign investment. Some economists forecast that the current account deficit could be as high as \$10 billion in 1990. "This assumes that we will not take measures to stop this happening," said Mr. Pérez.

THE government has been pleasantly surprised by the performance of exports which, if it continues, augurs well. Despite a strong currency, a not particularly buoyant world trade picture and surging domestic demand, Spanish exports are increasing their share of the market. Exports of food are up 8 percent in real terms, about double the growth in world trade.

The government draws comfort from the performance of exports because it vindicates the policy of liberalizing the economy under the stern eye of the EC. The massive growth in fixed capital investment — 40 percent between mid-1985 and 1988 — is now bearing fruit in the form of higher productivity and more competitive exports.

If the present trend continues and imports decline as they should do although they will still remain high, exports could begin to grow at a faster pace than imports by 1991 for the first time in seven years. This would coincide with the end of Spain's EC transition, and the challenge of the single European market.

WILLIAM CHISLETT is the deputy editor of the English-language section of the Spanish new agency Efe.

The International Herald Tribune proposes to publish a **SPECIAL REPORT** on 10 November, 1988 on:

MERGERS AND ACQUISITIONS

Provisional synopsis of contents:

Overview

International takeovers are altering the global marketplace. National boundaries, mergers and acquisitions are being tested as a method of dislodging sluggish management. But can mergers and acquisitions be an easy opportunity for some to make money without adding significantly to a nation's productivity? In this perspective, takeovers are a booming business again. The author

Europe

A comparative look at takeovers in European countries. The increasingly powerful role of family owners in deciding new ownership. The role of the unions in sanctioning mergers and their place in a common European market.

United States

A year after Black Monday, the mergers and acquisitions tide is higher than ever, with some new twists. Escalating bidding battles are causing rivals to join forces. The new tax law is affecting traditional divestitures. And the courts are weighing in as well.

Japan

Powered by the strength of the yen, Japanese companies are making takeover bids abroad. At home, mergers and acquisitions remain rare. Rarer still: foreign companies taking over domestic concerns in Japan.

West Germany

A look at German acquisitions including Daimler's massive takeovers. Leveraged buyouts in Germany.

France

A wave of takeovers in the first half of 1988 caused official concern before the spring elections. Will the new government pursue a course of re-regulation?

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Brazilian Surplus

Latin America Has a Brief Respite

By Mac Margolis

RIO DE JANEIRO — When statisticians at the Brazilian Central Bank finished tallying the numbers for trade for the month of August, the results arched eyebrows all over the South American nation.

Just in August, Brazil reported a \$2.087 billion trade surplus, a record figure during a record-breaking year. The feat was managed through exports of \$3.46 billion, more than Peru exported in all of 1987 and nearly equal to the yearly gross national product of Bolivia.

According to the Central Bank calculations, if the nation's foreign commerce keeps its current pace, by the end of the year Brazil will log \$19 billion trade surplus, the world's third largest, just behind Japan and West Germany.

But Brazil, with a diversified economy and an export portfolio ranging from frozen orange juice to battle tanks, stands out as the glaring exception in Latin America.

In a continent crippled by debt and starved of fresh capital, the revenue earned by exports is like lifeblood. Yet, for most countries in Central America, South America and the Caribbean, an age-old handicap is still there.

The region's exports are overwhelmingly primary goods, such as petroleum, sugar, cocoa, wheat, tin and bauxite, whose prices oscillate according to the vagaries of the weather, the intrusion of new materials born of technological discovery and the capricious appetites of the industrial economies.

All told, the recent months have been kind to most of the developing world, according to financial analysts. The International Monetary Fund, in its recent World Economic Outlook, reported better than expected growth — 3.5 percent to 4 percent as opposed to earlier projections of 2.7 percent — in the seven richest countries, where most Latin American products are sold.

The IMF also noted a 30 percent increase, from May 1987 to May 1988, in the dollar prices of basic commodities, such as copper, tin, wheat, pulp for paper and fishmeal.

Furthermore, oil, the biggest import item in much of the region, fell precipitously. These countries are expected to run an accumulated trade surplus of \$22.7 billion this year, or twice that of 1987, according to projections by the United Nations Economic Commission on Latin America and the Caribbean.

The recent windfall for Latin America is due in large part to a fragile, and at best temporary, advantage — the surprising recovery of metals and the U.S. drought that ravaged crops of soybeans, cotton, wheat and corn, while Latin America boosted exports 32 percent between 1980 and 1987, the net value of those goods declined by one percent.

"The recovery is not likely to last for very long," predicted an ECLA economist, Hector Assael, in Santiago. "Basic goods' prices will probably remain low through 1990."

Even Brazil's spectacular trade surplus is largely due to ample portions of good luck — a 22-percent rise in prices of exports.

"We have one of the most closed economies in the world," said Marcos Vinicius Pratini, president of the Brazilian Exporters' Association, at a meeting of businessmen in Rio this

month. "We are going to pay dearly for this policy. Our clients are going to ask, 'What kind of store is this, that only wants to sell and buys nothing?'"

In an August study by the General Agreement on Tariffs and Trade, the international accord that mediates world trade, between 1982 and 1987 the 15 most indebted countries imported \$315 billion less than in the previous period. Two thirds of the cut in imports was an austerity squeeze imposed by the burden of debt payments.

In recent weeks, U.S. trade officials have summoned dozens of foreign businessmen to Washington to answer charges of dumping, tariff walls and inadequate patent protection.

To some, the worst threat is the new U.S. Trade Law, which was recently signed by President Ronald Reagan. It authorizes commerce officials to respond to trade practices deemed

"We are the orphans in this process," said Mr. Ricapero.

Despite a bold but embryonic free trade pact between Brazil and Argentina, trade within Latin America is low and declining.

At the beginning of the decade, 17 percent of the total \$90 billion Latin trade was intra-regional; this year, however, it is expected to drop to 12 percent, the United Nations reported.

Latin America lacks a tradition of economic cooperation.

"Every country in Latin America was the potential enemy of every other. There's a long tradition in Latin America of breaking trade accords and treaties," said Benedicto Moreira, a former Brazilian Central Bank authority.

Inwardness was fueled by a decade-old model of development based on the substitution of

The recent windfall is due in large part to a fragile, and at best temporary, advantage — the surprising recovery of metals and the U.S. drought.

unfair under a more muscular version of Section 301 of the U.S. Trade Act. The Brazilians have called this "Super 301" and are predicting a backlash of U.S. protectionism.

Latin America also faces new trade blocs in the developed world. The United States and Canada have signed a new trade agreement, and Japan and the Pacific Rim countries have agreed to increase cooperation.

More important, perhaps, are the plans of the 12 European Community countries to pare tariffs and remove virtually all internal trade barriers from 1992.

Latin fear that such trading blocs could leave the relatively weaker developing countries out in the cold.

"We don't know yet what this is going to mean, but certainly there is a risk of greater closure," said Rubens Ricapero, Brazil's representative to GATT. "Each individual European country will surely lose some competitive advantage, the community as a whole will have to compensate by restricting outside competition or asking for reciprocity in foreign markets."

Professor Jeffrey Sachs of Harvard University, a counselor to many Latin governments on debt and inflation, disagrees. "I'm optimistic; 1992 is going to revitalize the European market, facilitating takeovers, easing labor restrictions and increasing investment opportunities and capital flow. In all, it's going to make a more vigorous Europe, which means a bigger market, and that will be very good for everyone," he said.

The only region still lacking an integrated trade agreement is Latin America.

imports with locally produced goods. The import substitution helped some countries, like Brazil, to grow and diversify their economies. However, it created economic greenhouses, which spawned fragile and uncompetitive businesses in most countries.

Many Latin governments are now beginning to encourage investment, sell off bankrupt public enterprises and seek technology to renovate antiquated industries. Creditors say the remedy is to raze the trade walls and let in foreign capital. But many economists worry that total openness would cause distortions by gutting infant industry in many countries.

"The open trade argument is one-third ideological, one-third appropriate, and one-third a power grab by creditors who want unilateral concessions from debtors," says Professor Sachs, a Harvard economist. "An outward orientation can be compatible with protection of important national industry, and Japan is the key example. Japan, the pre-eminent example of growth in this century, had an important element of protection in its most productive growth period."

The trick for many Latin American countries, staggering under debt obligations and at the same time rushing to catch up in world trade, will likely be to find that delicate balance — nurturing national companies without suffocating the economy.

MAC MARGOLIS is a Rio de Janeiro-based correspondent for Newsweek and a contributor to The Times of London.



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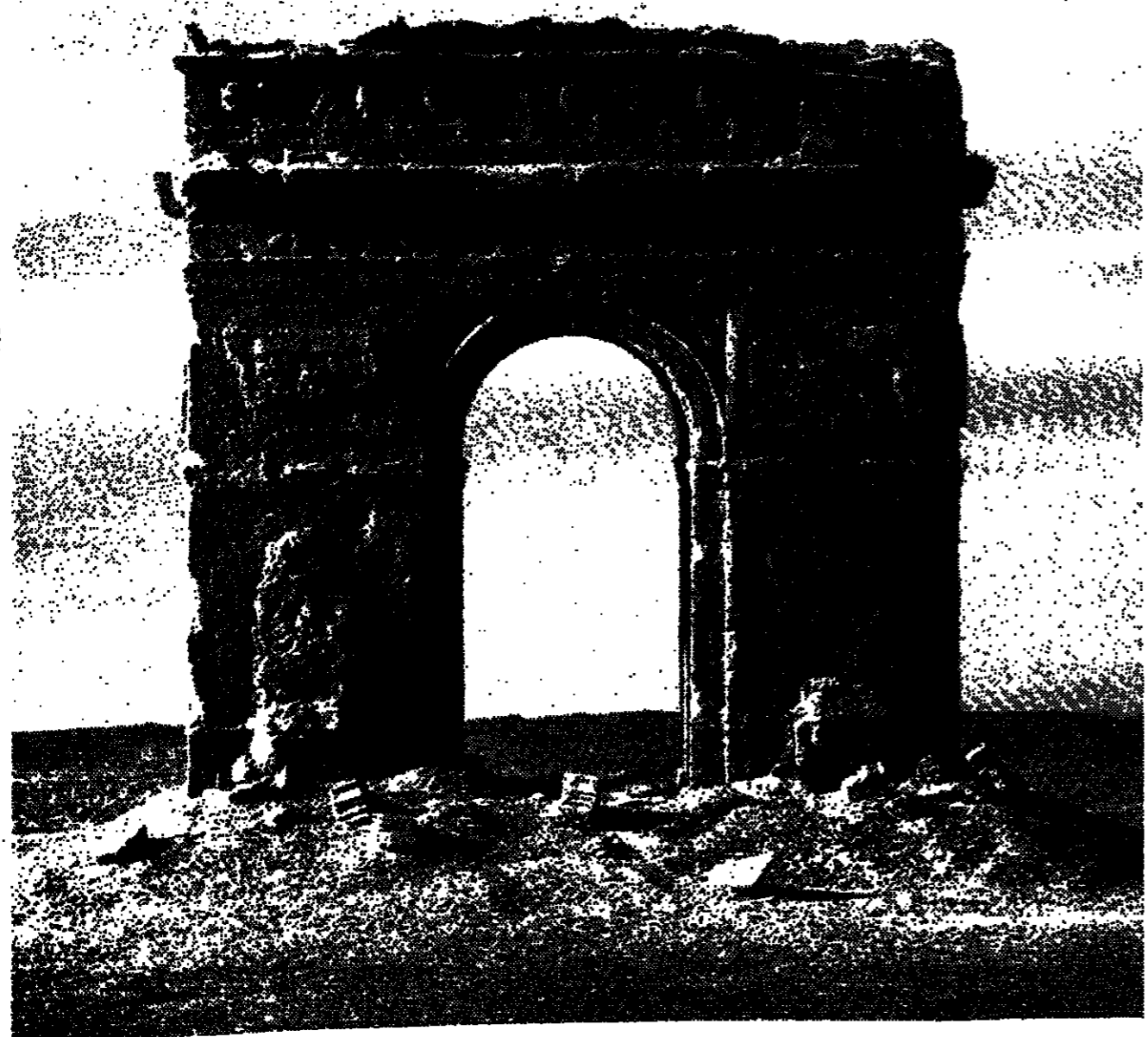
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HEDGING WITH GOLD: THE PATH TO PROFITABLE INVESTMENT

In rising equities markets, many investors believe that the winning strategy is to move fully into stocks and other paper assets. Yet recent studies suggest that the safest and, over the long term, most rewarding strategy is to keep at least part of one's assets in gold. The following analysis offers new and convincing evidence of this fact.

Cautious investors often ask: Is it risky to invest in gold? According to many investment experts, it is far more risky these days not to invest in gold. Portfolios consisting entirely of paper assets are vulnerable to the ever-present perils of inflation, currency depreciation and banking crises. And it is precisely in times of stress that gold generally appreciates in value, making up for losses in paper assets.

In other words, gold is the "Portfolio Risk Diversifier" par excellence. It is an asset that protects other assets, a form of long-term portfolio insurance. Along with its hedging function, this insurance bolsters investors' confidence, permitting them to be more aggressive in the management of their paper assets.

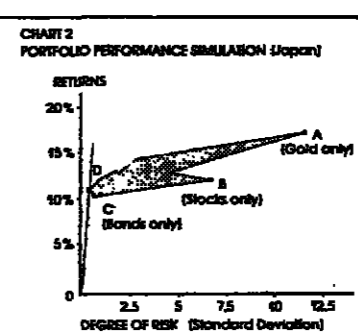
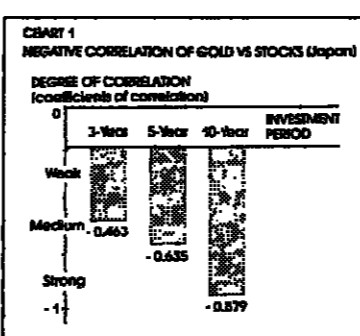


TABLE 1 - INVESTMENT RETURNS (%) (Revised Period Average Method)

	GOLD	STOCKS	BONDS	GOLD	STOCKS	BONDS	GOLD	STOCKS	BONDS
JAPAN	7.50	11.56	8.78	9.55	11.66	8.19	7.90	12.62	8.12
U.S.	10.75	9.81	9.54	12.64	10.60	9.83	10.99	11.37	9.74
GERMANY	10.97	9.42	8.22	12.65	9.64	8.18	10.67	11.55	8.26

TABLE 2 - MODEL PORTFOLIOS (JAPAN)

	STOCKS	BONDS	GOLD
3 YEARS	6%	91%	3%
5 YEARS	11%	84%	5%
10 YEARS	2%	65%	13%

As indicated in Chart 1, there is a negative correlation between returns on gold and stocks. The longer the investment period, the stronger the degree of negative correlation - demonstrating once again that

long-term gold holdings offer protection against stock market declines. Over the short term, a variety of chance factors may come into play. After the October 19th stock market crash, for example, gold prices did not promptly respond to the steep decline in equities values. The chance factor in this case was that immediately following Black Monday, several institutional investors in the U.S. sold substantial quantities of gold to meet margin calls on stock futures positions. In this time of need, their gold holdings served as a critically important hedge.

Chart 2 shows simulated performances of portfolios consisting of stocks, bonds and gold. Shifting in asset allocation produce varying degrees of profitability and risk. Point A shows results with a portfolio devoted entirely to gold; Point B to stocks; Point C to bonds. The combination of all three (Point D) represents the best balance of profitability and risk. The combination of stocks, bonds and gold required to reach Point D is shown in Table 2.

Conclusion: Gold is an essential part of any well-balanced portfolio. It is the ideal hedge against declines in equities, offers a safe path to profitable investments and allows more aggressive management of paper assets.

SCOREBOARD

BASEBALL

Friday's and Saturday's Major League Line Scores

Table with columns for Team, Score, and Game Status. Includes games from St. Louis Cardinals vs. Pittsburgh Pirates, New York Yankees vs. Boston Red Sox, etc.

FOOTBALL

Table with columns for Team, Score, and Game Status. Includes games from Atlanta Braves vs. Philadelphia Phillies, Los Angeles Dodgers vs. San Francisco Giants, etc.

OLYMPIC RESULTS

MEDALS

Table showing medal counts for various countries: Soviet Union (10 Gold, 10 Silver, 10 Bronze), East Germany (8 Gold, 8 Silver, 8 Bronze), etc.

DIVING

Table of diving results for 10m and 3m events, listing athletes like Gao Min and Gao Min.

EQUESTRIAN EVENTS

Table of equestrian results for dressage, eventing, and show jumping, listing riders like West Germany's Rainer Kluge.

CYCLING

Table of cycling results for various events, listing cyclists like Erik Breneboe and Gert-Jan Theunissen.

FENCING

Table of fencing results for epee, foil, and sabre, listing fencers like Andrei Savitskiy and Gergely Balogh.

GYMNASTICS

Table of gymnastics results for individual and team events, listing gymnasts like Larisa Latynina and Kim Zmeskal.

BASKETBALL

WOMEN

Table of women's basketball results, listing teams like the Soviet Union and East Germany.

ROWING

Table of rowing results for various boat classes, listing crews from the Soviet Union and East Germany.

JUDO

Table of judo results for various weight classes, listing athletes like Kazuo Hanayama and Gennadiy Gerasimov.

SHOOTING

Table of shooting results for various events, listing shooters like Tanel Leht and Gennadiy Gerasimov.

WEIGHTLIFTING

Table of weightlifting results for various weight classes, listing lifters like Anatoly Kravtsov and Gennadiy Gerasimov.

BOXING

Table of boxing results for various weight classes, listing boxers like Gennadiy Gerasimov and Gennadiy Gerasimov.

BASEBALL

Table of baseball results for various events, listing teams and players.

FIELD HOCKEY

WOMEN

Table of women's field hockey results, listing teams like the Soviet Union and East Germany.

HANDBALL

Table of handball results for various events, listing teams like the Soviet Union and East Germany.

SOCCER

Table of soccer results for various events, listing teams like the Soviet Union and East Germany.

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Large vertical advertisement on the left side of the page, featuring the 'Her Lions' logo and text about a business opportunity.

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SPORTS / 1988 SUMMER OLYMPICS

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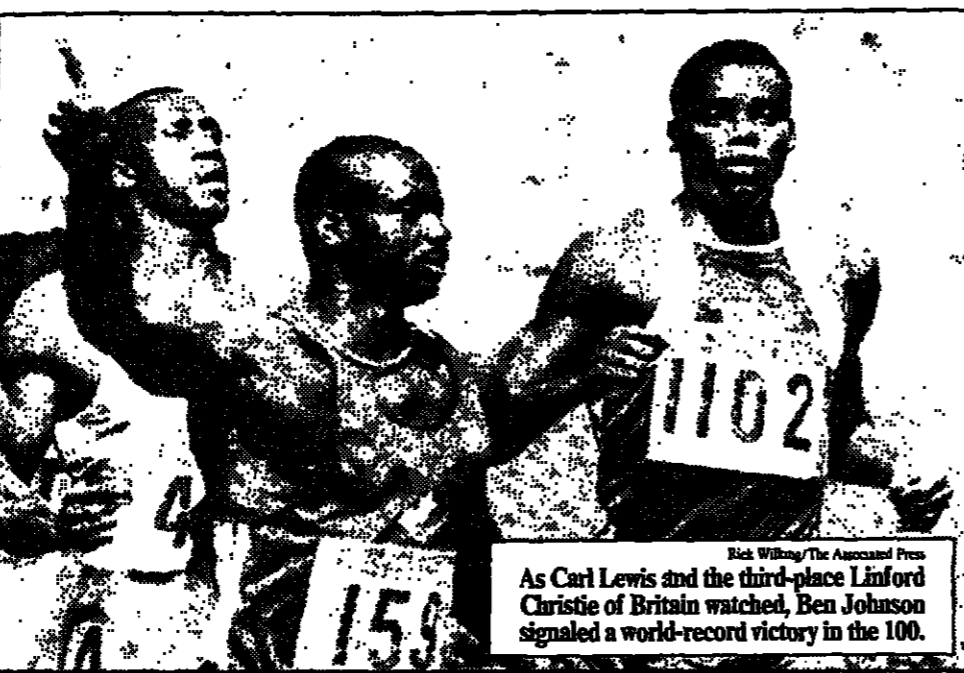
Compiled by Our Staff From Dispatches
SEUL — It was the race of the year, the last four years. It was the long-awaited duel in the 100-meter dash between Ben Johnson of Canada and Carl Lewis of the United States...

SATURDAY'S EVENTS

race," Biondi said. "A world record, an Olympic victory, and a personal best time — it's all downhill from here."
Evans led from start to finish in winning the 800 freestyle. "I expected a fairly easy race and it turned out to be a lot tougher than I thought," she said...

chev, dominated the apparatus finals in men's gymnastics as the Soviet team won outright or shared gold medals in five of the six finals.
The Soviet Union was shut out only in the vault, where the defending Olympic champion, Leon Yun, 24, of China, won the gold medal.

race and give East Germany its fourth gold medal of the day in rowing. Romania, the Netherlands and Great Britain each got one gold.
East Germany dominated women's double sculls, winning in 7:00.48, almost four seconds ahead of Romania. Romania won the women's coxless pair; East Germany won the men's coxed four, the Netherlands won the men's double sculls and Great Britain the men's coxless pair.



As Carl Lewis and the third-place Linford Christie of Britain watched, Ben Johnson signaled a world-record victory in the 100.

OLYMPIC RESULTS

TRACK AND FIELD

100 Meters
Carl Lewis, U.S., 9.92
Ben Johnson, Canada, 9.93
Linford Christie, Great Britain, 10.00
200 Meters
Carl Lewis, U.S., 20.00
Ben Johnson, Canada, 20.10
Linford Christie, Great Britain, 20.20

WOMEN'S 100 METERS

1. Gwennie Evans, Soviet Union, 7:00.48
2. Romania, 7:04.00
3. East Germany, 7:05.00
4. East Germany, 7:06.00
5. East Germany, 7:07.00
6. East Germany, 7:08.00

WOMEN'S 200 METERS

1. Gwennie Evans, Soviet Union, 1:49.20
2. Romania, 1:52.00
3. East Germany, 1:53.00
4. East Germany, 1:54.00
5. East Germany, 1:55.00
6. East Germany, 1:56.00

OLYMPICS ON TV

MONDAY, SEPT. 26
Austria-4:00 A.M.-4:30 P.M. (Ch. 2)
Brazil-10:00 P.M.-11:00 P.M. (Ch. 2)
Belgium-7:00 A.M.-7:30 P.M. (TV 2)

This O.K. Corral Shoot-Out Ended in a Slaughter

By Tony Kornheiser
Washington Post Service
SEUL — When Ben Johnson glided across the finish line, in that stunning moment, he had done something to Carl Lewis that had never been done before: pinned a silver medal on him.

GAMES ANALYSIS

he'd be ahead at 60 meters. "If Carl wants to beat me," he said, "he'll have to catch me." To Johnson, this was the gunfight at the O.K. Corral.

and I did my best to go straight through." Had Johnson not glanced over at Lewis and not eased off as he raised his arm in celebration, he would surely have run even faster. Estimates were as little as .02 to as much as .04 faster, which would have given him a 9.75.

What's next for Johnson is simple. He leaves here with his reputation and his asking price inflated. He is a checkbook awaiting a pen. What's next for Lewis is more complicated. He has three events to go — and you can bet he'll keep his mouth shut about the composition of the relay team, because it might be his only shot at a gold — and right now they all look anticlimactic. A world record in the long jump would return him possession of the spotlight, but it seems unlikely because the event is contiguous with the 200, and the run will split the spring from his legs. He remains favored in both, but even three golds could seem like he's regressed, so impossibly high is the standard he set.

Official Timekeeper of the Olympic Games 1988 Calgary and Seoul. You have a date with Longines Precision. LONGINES. Official Timekeeper of the Olympic Games 1988 Calgary and Seoul.

TENNIS

Men's Doubles
Emilio Sanchez and Sergio Casal, Spain, def. Hans Shalk and Alexander Antonitsch, Austria, 4-6, 6-1, 6-1.

WOMEN'S DOUBLES

Manuela Maleeva, Bulgaria, def. Gabriela Lindqvist, Sweden, 6-4, 6-1.

WOMEN'S SINGLES

Martina Navratilova, Czechoslovakia, def. Kim Bristow, South Korea, 6-4, 6-1.

TUESDAY'S EVENTS

Archery — preliminary round: 100 women's 70 meters and men's 70 meters; 100 women's 60 meters and men's 70 meters.

YACHTING
(Seven Days of Races)
Saturday's Results
FIFTH DAY
WOMEN'S 470 CLASS
Race 5 — 1. Yvonne Vansteenkiste and Tonny Tynjola, Soviet Union, 8:00 points, 2. Peter Ege and Struan Alexander, New Zealand, 7:00 points.

SPORTS / 1988 SUMMER OLYMPICS

Otto Swims to 6th Gold, Biondi Makes it 5 and 7

By Christine Brennan

Washington Post Service
SEOUL — The Olympic swimming competition ended Sunday with a sixth gold medal for East Germany's Kristin Otto, a parade of veterans winning medals for old timers' sake and a final world record for the U.S. men's medley relay team and its star, Matt Biondi.

Biondi won his fifth gold and seventh medal overall on his but proposed hold six minutes in the Philippine relay team, which broke the world record by more than one second.

Backstroke David Berkoff, breaststroke Rich Schroeder, freestyle Biondi and freestyle Chris Jacobs won the 400 in 3 minutes, 36.93 seconds, followed by Canada in an intermediate race 3:39.96.

Biondi became the first athlete to win seven medals in a single Olympics, and promptly announced he was retiring from competitive swimming to begin a career as a water polo player.

The relay victory was the lone U.S. gold medal on a day dominated by the Eastern Bloc. In five other races, East Germany won two golds, Hungary won two golds and the Soviet Union won one.

Otto, 22, won her sixth gold medal at the Olympic Park Outdoor Swimming Pool with the United States second with eight. The East Germans won 28 swimming medals to 18 for the United States. By comparison, in the boycotted Los Angeles Olympics, the United States won 20 gold medals and 33 medals overall. In 1976, the last non-boycotted Olympics, Americans won 13 golds and 34 medals overall.

One has to go back to 1960 to find an Olympics in which the U.S. men, who received five golds here, won fewer than six (four in 1960) or the U.S. team won fewer medals overall (15 in 1960) than it did here.

"I don't think we put in the races we needed to put in to win here," said Mary T. Meagher, who won a

bronze medal Sunday in the 200-meter butterfly. Her time of 2:10.80 was nearly five seconds slower than the world record she set in 1981, but gold medalist Kathleen Nord of East Germany was nowhere close to the record herself, winning in 2:09.51.

Meagher, dubbed "Madame Butterfly" years ago, said she was retiring from swimming, effective the moment she touched the wall.

"The times for me here show it's time for me to get on with the rest of my life," she said. "I'm feeling very disappointed. I just would have loved to go out on a better note."

Two other veterans of previous Olympics made splashes. Vladimir Salnikov, 28, of the Soviet Union shocked almost everyone by winning the 1,500-meter freestyle, the most arduous event on the Olympic agenda, in 15:00.40. That was more than five seconds off his world record, set in 1983. Salnikov, who finished fifth in the 1976 Olympics and won three gold medals in the 1980 Olympics, said this was the victory he would cherish the most because it came with every swimming nation competing.

Jill Sterkel, 27, who won a gold medal in the 400-meter freestyle relay in 1976, won a bronze in the 50-meter freestyle and became the first swimmer to win Olympic medals 12 years apart. Sterkel also was an alternate on the gold-medal-winning relay team of 1984.

She found herself smiling at her good fortune in Sunday's race, because, by all rights, she should have been watching it on television in her living room back home.

She finished third at the U.S. trials last month and failed to make the team. But when Angel Myers tested positive for drug use, Sterkel was recalled to the team and swam the 50 in 25.71 seconds, which tied her for the bronze with Katrin Meissner of East Germany. Otto won in 25.49, an Olympic record.

While Biondi received most of the attention the last week, Otto,

the blonde, bright-eyed heir to the riches of East German swimming, won more gold medals. Every race she entered she won: the 50 and 100 freestyle, the 100 butterfly, the 100 backstroke and two relays.

"I wanted to win the 100 free and I knew we'd be favored for the gold in both relays, so I thought I could win three gold medals," she said through an interpreter. "Regarding the other races, I had not expected this. I wanted to win a medal but did not expect a gold."

"It's incredible," Sterkel said. "She's just great in everything."

When Biondi, who began these Olympics with a bronze, then a silver and finished with five golds and four world records, said he was officially retiring to move to water polo, the Canadian relay team applauded.



Kristin Otto waved after accepting her sixth gold medal in swimming events and Matt Biondi celebrated his fourth.



Andre Phillips, second from left, crossed the line a winner in the 400-meter hurdles. Edwin Moses, right, was third behind Hadji Amadou Dia Ba, left.

Phillips, Griffith-Joyner Race to Olympic Records

By Michael Janofsky

New York Times Service
SEOUL — Two past Olympic champions from the United States were defeated Sunday in their quest for another gold medal. But the sense of loss for the U.S. team was balanced by the fact that each lost to teammates setting Olympic records.

Edwin Moses, the 400-meter hurdle champion of the 1976 and 1984 Games and history's best in his event, finished third to Andre Phillips and El Hadji Amadou Dia Ba of Senegal.

In the women's 100-meter final, Florence Griffith-Joyner, who lowered the world record earlier this summer, defeated Evelyn Ashford, the 1984 champion, with Heike Drechsler of East Germany winning the bronze.

Griffith-Joyner's time, 10.54, was the second-fastest ever, slower only than the 10.49 world record she ran in a preliminary race at the American Olympic trials in July. However, her time Sunday was wind-assisted, which means it would not have stood for any sort of record.

Phillips, the world's best hurdler in 1985 and 1986, but who missed most of last year with an injury, finished in 47.19 seconds to break the Olympic record of 47.63 that Moses set in 1976, when he was a 21-year-old junior at Morehouse College in Atlanta.

Phillips gleefully paraded around the stadium in his victory lap shirtless and shoeless and waving the American flag.

Dia Ba, a 30-year-old former high jumper, set a personal best in winning the silver medal with a time of 47.23. And Moses, the grand old man of hurdling at 33 who had been trying to become the first man to win three gold medals in the same track event, won the bronze in 47.56.

The order of finish would have been difficult to predict. Moses had lost or failed to finish a race only twice in the last 11 years. Through June 4, 1987, he had won 122 consecutive races, finally losing to Danny Harris in Madrid. Six weeks later, he stumbled over the 10th and final hurdle in a race in Paris and did not finish.

Sunday, he seemed to be fighting through most of the race, as several racers earlier and finally Phillips and Dia Ba had too much power to overcome.

"I went out hard, as I had planned," said Phillips. "When I went over the eighth hurdle, and nobody was there, I knew I had it. I heard Dia Ba off the 10th hurdle, but I had enough left to hold him off. We both ran the race of our lives."

Even before the final, Griffith-Joyner had twice broken Ashford's four-year-old Olympic record of 10.97. In preliminary races, she ran a 10.88 and, after Ashford matched it, she lowered it again, to 10.62.

In her final, Griffith-Joyner was the quickest out of the blocks and

was not threatened down the straightaway. With about 20 meters to go, the tension began to drain from her face, and within five meters of the finish she broke into a smile.

Ashford, graceful in defeat, noted Griffith-Joyner's spectacular times this summer and said, "Only a man can run faster." As for herself: "My husband and I set our training for the gold," she said. "But I'm happy for the silver."

Genadiy Avdeyenko of the Soviet Union won the men's high jump at 7 feet, 9 1/4 inches (2.43 meters), breaking the Olympic record of 7-8 3/4 set by Gerald Wessig of East Germany in 1980.

Hollis Conway of the United States took the silver medal, clearing 7-8 3/4, a personal best. Rudolf Povarnitsyn of the Soviet Union and Patrik Sjöberg of Sweden also cleared 7-8 3/4 and shared the bronze medal. Conway was awarded second place on fewer misses.

Tappio Korjus of Finland won the gold medal in the men's javelin with a throw of 276-6. Jan Cizek of Czechoslovakia won the javelin at 276 feet and Seppo Rytö of Finland the bronze with a throw of 273-2.

Roger Kingdom of the United States, the 1984 Olympic champion in the men's 110-meter hurdles, broke his Olympic record in his second preliminary race of the day, finishing in 13.17 seconds and knocking down five hurdles along the way. His time four years ago in Los Angeles was 13.20.

The men's 400-meter quarterfinal went according to form for the most part, with the three Americans — Steve Lewis, Danny Everett and the world record holder, Butch Reynolds — leading 16 runners into the final on Monday. Only one runner of note, Gabriel Tiaoh of the Ivory Coast, failed to advance.

In the women's 400-meter hurdles, Ellen Fiedler finished in 54.58 seconds to lower the Olympic record of 54.61 set four years ago by Nawal El Moutawakil of Morocco, when the event was first included on the Olympic program.

BRIEFS

cks Dissident
 11 — About 2,000 chanting today, eight days after a military...

er to Get U.S.
 heating Panamanian president...

Lead in Local
 The Associated Press...

Evert Eliminated by Italian, Chinese Divers Take 2 Medals

The Associated Press
SEOUL — Chris Evert's chance for an Olympic medal in tennis, which was brought back as a medal sport for the first time since 1924, ended when she was defeated Sunday by Raffaella Reggi of Italy, 2-6, 6-4, 6-1.

"I've had a great career," said Evert, 33. "I think my record has been one of the greatest. If I was 18, I'm sure I would have won a medal. The Olympics came too far into my career."

The medal standings were: Soviet Union 60 total, 27 gold; East Germany 54 total, 23 gold, and the United States 33 total, 11 gold.

In diving, Gao Min and Li Qing of China finished first and second in the women's springboard competition with Kelly McCormick of the United States getting the bronze.

The U.S. women's basketball team clinched a spot in the medal round, running its record to 3-0 with a 94-79 victory over China.

Katrina McClain scored 27 points as the Americans withstood a 32-point performance by China's 6-foot-8-inch (2-meter) center, Zhang Hanxia. Yugoslavia beat Czechoslovakia, 69-57, Australia surprised the Soviet Union, 60-48, and Bulgaria beat South Korea, 68-67.

Jutta Behrendt of East Germany beat Anne Mardent of the United

States by more than three seconds at 7:47.19 in the women's single sculls, and before the seven rowing events concluded the East Germans had four golds, a silver and a bronze.

West Germany won the men's eight — the only race the East Germans didn't enter.

East Germany won the men's coxless four in 6:03.11, with the United States boat second in 6:05.53.

The world and Olympic champions on Abbagnano brothers — Carmine and Giuseppe, with cousin Giuseppe DiCappua — carried the Italian banner to victory in coxed pairs, the event they have dominated for seven years. The East Germans finished second.

A third Abbagnano brother, Agostino, won a gold medal in the men's quad.

The East German women's squad won that gold medal, with the Soviet and Romanian finishing second and third.

In table tennis, Jiang Jialiang of China extended his winning streak to four in the preliminaries as the tournament entered its third day. Jiang beat Jean-Michel Seive of Belgium, 21-19, 21-14, 21-18.

Evert was the No. 2 seed in the first full-scale Olympic tennis tournament since 1924 and was expected to meet Steffi Graf of West Germany in the final.

Instead, her medal hopes evaporated with some of the worst tennis of her career on a packed tennis court No. 1 at Olympic Park.

The wind was gusty and Evert had obvious problems with the toss on her serve, but she blamed only herself. "It was windy, but I don't want to make any excuses," she said.

"She just played a great match," Evert said of Reggi. "She moved me around a lot and gave me a lot of problems."

Reggi, ranked 24th in the world, said, "She's much better than I am. She was not at her best."

"But maybe I should take a bit of credit. It was one of my great matches of the year and in my whole career."

Evert said she was not as "psyched up."

"I was well below par," she said. "It is getting tougher and tougher to be motivated. That will determine whether I play next year, or whether I play at all."

She said she will play two or three more tournaments this year before deciding whether to retire.

Pam Shriver, the No. 4 seed, kept American medal hopes alive as she beat Katerina Maleeva of Bulgaria, 6-3, 3-6, 6-2, to reach the quarterfinals.



Todd Foster, complaining the round had not ended.

2-Bout War Puts the U.S. Streak at 12

The Associated Press
SEOUL — Roy Jones, Michael Carbajal, Romalis Ellis and Andrew Maynard all ended their work in less than two rounds, while teammate Todd Foster had to fight twice Sunday to make the Olympic quarterfinals because the bell tolled for Chun Jin Chul when it should have been a born.

Still, that ran the U.S. boxing team's winning streak to 12 bouts, a streak that was ended only when Kim Kwang Sun of South Korea outpointed Arthur Johnson for a 5-0 decision that put Kim into the quarterfinals of the 112-pound (50.6-kilogram) class. Johnson was only the third of the 12 U.S. boxers to be eliminated.

In the Foster-Chun 139-pound bout, the bell rang near the end of the first round in ring B at the Chamshil Students' Gymnasium. Chun dropped his hands. The bell, however, signaled the end of a round in ring A. A horn is used for bouts in ring B.

Foster, knowing this, threw a left hook as referee Sandor Fajar of Hungary shouted, "Stop." Chaos reigned.

U.S. officials, claiming Chun had faked the knockdown to get Foster disqualified, protested to the International Amateur Boxing Association.

The Koreans protested, seeking a disqualification. It then was agreed to hold the fight again Sunday night, and about three hours later Foster was in the stands watching Johnson lose when he was informed he would be boxing again in 45 minutes.

The rematch was a war. Foster knock down Chun with a left-right to the head. Chun bounced up and gave as good as he got for the rest of the round, bloodying Foster's nose in the process.

In the second round, Foster hurt Chun badly with a right to the head, sent him reeling with some more solid shots to the head, then his own face a mask of blood, knifed down Chun with a vicious left hook that stopped the fight at 2:05 of the second round.

On the Sidelines, the Action Continues

By Fred Hiatt

Washington Post Service
SEOUL — Two Israeli yachtsmen were ordered home Sunday by leaders of their country's delegation for violating a ban on competition during Yom Kippur, the holiest day of the Jewish year.

That was after the Bulgarian weight lifting team, which had been doing better at its sport than any one else, withdrew from competition after losing a second gold medal on a drug violation.

The president of the South Korean National Olympic Committee resigned, as fallout from the Great Boxing incident continued.

And two U.S. swimmers were dismissed from the Olympic team, and ordered to return home, for stealing a statue from a hotel bar.

The Bulgarian weight lifting team, after winning four gold medals, withdrew in embarrassment after a second Bulgarian lifter tested positive for an illegal drug.

The International Olympic Committee said Angel Angelov Guenchev, who set three world records Wednesday, had tested positive for furosemide, a diuretic. Such drugs can produce quick weight loss for athletes in weight-class sports and can mask illegal strength-building steroid drugs.

Guenchev was stripped of his medals, as had been teammate Mikko Grabhev, who Thursday tested positive for the same drug.

"Since this is the second case," a

team statement said, "the Bulgarian delegation has decided to withdraw its team from further participation."

The statement said Bulgaria's weight lifting association would investigate "these irregularities casting a shadow over the reputation of the Bulgarian sport, and take measures against the athletes, the trainers and the doctor of the weight lifting team."

U.S. swimmers Troy Dalbey and Doug Gjersten, fresh from their gold-medal performance in the 400-meter freestyle, were leaving a bar at the Hyatt Hotel when they removed a marble lion's head worth more than \$500, South Korean police said.

The two swimmers headed toward the nearby Itaewon nightlife district, where a hotel employee spotted them, the police said.

Robert Helmick, president of the U.S. Olympic Committee, said the two could face charges and were to appear before Seoul police for more questioning on Tuesday.

"The facts as presented to us showed that indeed the two athletes took a piece of wall decor from the hotel bar, took it out into the street and carried it into another bar," Helmick said. "We expressed our keen regrets and they expressed theirs as well."

Helmick said Dalbey and Gjersten would be allowed to keep their medals. They were not scheduled for any further events.

The U.S. Olympic Committee's

executive board said the swimmers would be sent home "as soon as permitted by the Korean authorities."

Dan and Ram Torten will be withdrawn from sailing in the 470 class races, according to Uri Afek, the head of the Israeli delegation.

Afek said delegation officials concluded that the sailors competed on Wednesday, despite their claim that they took part in the sail only as a practice run.

The other 17 athletes of the Israeli team refrained from competition on Yom Kippur, which for the first time coincided with the Olympics.

Then Tamas Ajan of Hungary, general secretary of the International Weight Lifting Federation, said Katalin Csengeri of Hungary had been suspended for two years because he tested positive for testosterone, a steroid, and Fernando Marica of Spain received the same suspension for amphetamine use. Csengeri had placed fourth in his division and Marica 13th in his.

A Spanish pentathlete, Jorge Quesada, also tested positive for an illegal drug, used to steady the hand in shooting events, and was expelled from the games, the IOC said.

Michele Verdier, the IOC spokeswoman, said doctors for the Spanish team had been warned by the IOC over a "lack of medical supervision" concerning drugs. She said sanctions against the doctors were up to the Spanish Olympic

committee and that the IOC warning was to remind the doctors "what their duties are."

In another incident, the coach of the Algerian men's handball team, Mohamed Lamine Azziz Derouaz, was suspended for one game for assaulting one of his players during Algeria's 23-22 loss to Yugoslavia, according to the International Handball Federation.

Much of South Korea seemed to be still agonizing over the behavior of its boxing officials after a contested bout on Friday. Five South Koreans were banned from the ring and attacked a referee who had officiated while a South Korean boxer lost.

Kim Chong Ha, in a resignation statement, said, "As president of the Korean Olympic Committee and host of the 24th Olympic Games, I take full responsibility for the actions" at the gymnasium. "I deeply regret this incident."

Many South Koreans' initial reactions had been to blame the referee. "Unfair Judging Spoils Olympic Boxing Bout," the Korea Times headlined Friday.

By Saturday, though, opinion leaders appeared to have decided that the incident reflected poorly on South Koreans.

"Shame on Olympic Host," the Chosun Ilbo newspaper said. "We are a kind low to behave because of the abysmal sense of shame over the incident." Doug-Ibo agreed.

Romanian Wins 3 Gym Golds

By Lawrie Mifflin
New York Times Service
SEOUL — It seemed a simple enough question. Elena Shoushounova of the Soviet Union had won the women's individual all-around gold medal on Friday. But Daniela Silivas of Romania, the all-around silver medalist, on Sunday won three of the four gold medals in the apparatus finals.

So the question was put to Silivas: "Who is now the best female gymnast in the world?"

Silivas frowned and turned to her coach. He turned to a translator and the two conferred. Then the translator said, "We are discussing this question, and we have decided, it is not really a question being posed, but a statement."

Silivas smiled. She had never said a word. But her silence was more than modesty or courtesy, according to Bela Karolyi, the former Romanian team coach now coaching the American women.

"In Socialist countries there are very clear, dictatorial procedures to be followed at any international competition," he said. "You cannot praise anybody else, my person or any other team other than your own country. It's very strict."

"But this kid at least had the honesty and the decency to shut

shoushounova is the Olympic champion," Karolyi said. "But she couldn't praise a rival. So she just didn't say a word. These kids have more decency than all the judges and coaches in the world."

Whatever their opinions of each other, Shoushounova, 19, and Silivas, 18, dominated the Games in gymnastics. Shoushounova showed an iron will in the individual all-around contest, narrowly defeating Silivas. Perhaps she was tired, perhaps her intensity sagged after Friday's duel, but in the individual apparatus finals, she was outscored by Silivas in all four events.

Silivas won the gold in floor exercise, uneven bars and balance beam and took the bronze in the vault. Shoushounova earned a silver on the beam and a bronze on the bars.

Karolyi, who coached in the Olympics for Romania in 1972, 1976 and 1980 before defecting in 1981, had only one medal-winner on his team in Seoul, Phoebe Mills's bronze on the balance bar. But Karolyi remained convinced that Americans can perform just as brilliantly as Soviets or Romanians, even if it is more difficult under the American system.

"It's a mistake to think about these 'mysteries,' which are promoted so widely in the U.S., about how the Russians and the Romanians prepare their kids," Karolyi said. "There is no difference in preparation, no difference in the willingness to work, no difference in the desire, no difference in the discipline of our kids."

The differences, he said, are financial and geographic.

U.S. gymnasts, supported by their families, must pay for their training. And he said, it is "such a big country, we cannot organize territorially and gather and keep all the top kids in one school all year round."

"People, the kids and the parents, would refuse. If American kids are forced to do something, they throw up their hands and say 'No.' You have to give them freedom, a choice of what they want to do, with the guidance and motivation coming from behind. It's the American way."

The Romanian way, he said, is typified by Silivas, the heaviest apparent to Nadia Comaneci, whom Karolyi coached when she won the all-around title in Montreal in 1976.

Karolyi said budding gymnasts are spotted "jumping and bumping" on playgrounds as early as age 5, then enrolled in state-run gymnastics schools.

And if their parents refuse to let them live away from home?

"They don't refuse," he said, "because they've seen what's happened with other girls who got picked. They see she got good food, education, they see she got pocket money, they see her parents got many financial advantages."

"The problem comes when the kids grow older and ask questions, or don't really want to do the hard workout, but there's really no choice. If they quit, they go to deepest anonymity, no advantages, no nice home, nothing at all. So, they stay."

The Olympic Flame, and Spirit, Still Burn Brightly

By George Vecsey

New York Times Service
SEOUL — Halfway through these Summer Games, it is easy to spot the negative parts. Television ratings down in the U.S.; NBC should have known that baseball and football are hot in September and that many American fans don't think it's a good Summer Games unless Mary Lou Retton is winning all the medals.

Two American swimmers are picked up for pilfering part of a statue? Ship 'em home and make 'em watch political commercials.

Two Bulgarian weight lifters are stripped of their gold medals for testing positive for banned substances? Ship 'em home and show 'em medical movies of what may happen to their bodies in 10 years.

The head of the Korean Olympic Committee resigns because of the attack on a referee by Korean boxing officials? Ordinarily, that might seem like a mere gesture, but the lack of security and the mood of disrespect did not exist in a vacuum.

Empty seats at most venues? Empty hotel rooms? Empty seats on planes? That might make future Olympic hosts leery about turning over the tickets to tour packages. But September halfway around the world was a tough sale to begin with.

For all the news that must be noted, there is a broader feeling that South Korea is coming off well in terms of competence and hospitality.

Here are just a few reasons one professional vagabond is glad to be here:

Spotting the Olympic flame shimmering in empty Olympic Stadium Saturday night, a glowing witness to what Ben Johnson and Jackie Joyner-Kersey accomplished earlier.

The traditional robes being worn by some children for Chosok, the Korean Thanksgiving that is sort of a cross between the Jewish rituals for Passover and Succoth.

Flowers everywhere.

Cabbage kimchi. Potato kimchi. Carrot kimchi. (Sure, you can smell kimchi on the subway. But I'll miss it back in New York, where the

prevailing aroma is nowhere near as wholesome.)

School children who giggle when foreigners try out their first 25 Korean words.

No Google Bush.

No Michael Dukakis.

New friends in Taegu explaining the national song "Anirang" over giant bottles of Oriental Beer late one night. The sense of a shared national identity, so different from the United States.

Colorful signs of "Welcome — Bienvenue" flashing from small mountain villages as the Seomall train flashes through the countryside.

GAMES ANALYSIS

Subway maps so large and graphic in Korean and English that you need never get lost. The clear acoustics of the subway announcements in Korean and English. The punctuality of the trains.

Watching an American couple, tears in their eyes, taking their newly adopted Korean-American baby home with them from the Holt Children's Services in Seoul. That baby, one of thousands placed by Holt over the years, was treasured more than any gold medal.

At the modern Holt Village for 300 disabled people at rural Ilsa, exchanging clenched-fist acknowledgments with proud Korean national wheelchair basketball players, drilling for the Paralympics in Seoul next month.

The friendly smiles from Ricky Davis and Anne Donovan and Edwin Moses as they recognize a familiar face from the States.

After the hotel barber gave me a good haircut and then vanished, the young woman who materialized and held my hand and said, "American man very gentle." Wasn't that sweet? Who said there is anti-Americanism here?

The proud look on Sohn Kee Chung's face as the 1936 marathon champion carried the torch into Olympic Stadium on opening Saturday. The 88 children in the opening ceremony, all born on the day Korea was awarded the Summer Games six years ago.

Ginseng tea. Peanut tea. Rice tea.

Running through the giant modern sculptures in Olympic Park. Being passed at a rapid clip by Eamonn Coghlan. Soviet cyclists whizzing past. Athletes taking pictures of Koreans, Koreans taking pictures of athletes.

Realizing that Teresa Edwards would be as respected as Don Mattingly and Harry Carson if there were pro basketball for women back home.

Watching Soviet athletes, officials and journalists joking and idling at different events. Glasnost is in the air.

Not a word about Lloyd Bentsen.

Not a word about Danny Quayle.

Knowing we can never see enough of Korea while chronicling the dreary drug tests and the dumb pilfering pranks. But giving it a try.

An accounting of the incidents, and there are many, that show that all is not doom and gloom at the Games in Seoul.

Orange crosses glowing in the night from the top of some houses, churches and schools. Buddhist chanting from apartments and temples. Modern Koreans explaining why they converted to Buddhism or Confucianism or Christianity.

Food, food everywhere. Fresh noodles in train stations. Freeze-dried noodles mixed with scalding hot water at sports arenas. Juice in containers and stacks of hard-boiled eggs and dried fish, packages of walnuts and sausages.

No sight or sound of George Steinbrenner, the man who would rebuild the American Olympic movement but cannot save the New York Yankees.

The friendly "What's up?" from black American soldiers in civilian clothes shopping in Inseong. The dignified black generals who photograph photos to the master tailor P.S. Sol.

The reminder that our polyglot society back home works better than we sometimes think.

